

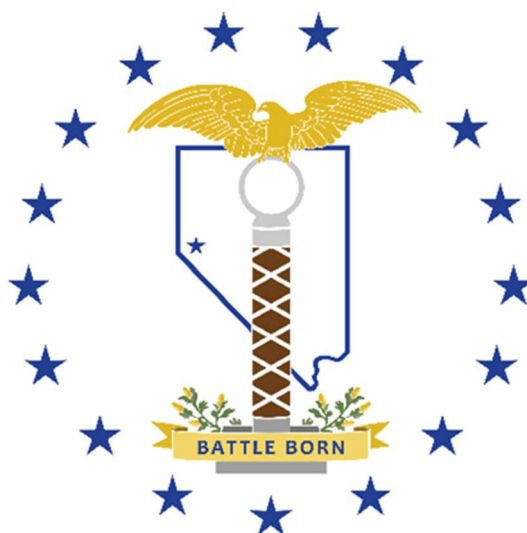
STATE OF NEVADA

Performance Audit

Response to the Opioid Epidemic:
Funds and Activities

Division of Public and Behavioral Health
Attorney General's Office
Department of Human Services

2026



Legislative Auditor
Legislative Counsel Bureau – Audit Division

Audit Highlights



Highlights of performance audit report on the Response to the Opioid Epidemic: Funds and Activities issued on April 15, 2026.

Legislative Auditor report # LA26-10.

Background

In Nevada, the Division of Public and Behavioral Health (DPBH), the Attorney General's Office (AGO), and the Department of Human Services (DHS) have supported opioid epidemic response activities.

DPBH has significant responsibilities relating to the opioid epidemic funds and activities, including oversight of federal grant funding, certification of substance use treatment providers, plans designed to support infants affected by opioid and substance use exposure, and statewide planning. Federal funding supports prevention and treatment efforts and naloxone availability.

AGO litigated and settled with entities involved in the opioid epidemic, resulting in \$1.14 billion in monetary recoveries for the State and its local governments as of May 2025. A portion of these funds are deposited in the Fund for a Resilient Nevada (FRN), which is overseen by DHS. DHS has funded and overseen multiple entities using FRN monies to support prevention, treatment, and surveillance activities related to the opioid epidemic response.

Purpose of Audit

The purpose of the audit was to determine if state agencies are adequately overseeing opioid epidemic response funding, opioid litigation recoveries, treatment providers, and statewide planning. The audit focused activities from January 2021 to September 2024 and prior years for certain oversight activities and financial documentation.

Audit Recommendations

This report includes 24 recommendations to improve DPBH's management of grants and other statewide efforts related to the opioid epidemic response, AGO's oversight of opioid litigation costs and contracting, and DHS' oversight of entities spending opioid litigation settlement funds.

DPBH accepted the 16 recommendations.

AGO accepted the 5 recommendations.

DHS accepted the 3 recommendations.

Recommendation Status

DPBH's, AGO's, and DHS' 60-day plans for corrective action are due on July 11, 2026. In addition, the 6-month reports on the status of audit recommendations are due on January 11, 2027.

Response to the Opioid Epidemic: Funds and Activities

Division of Public and Behavioral Health (DPBH)

Summary: DPBH plays an important role in the fight against opioid use disorder. From 2018 to 2023, over \$115 million in federal funds were overseen by DPBH to help counter the opioid epidemic in Nevada. We found DPBH can improve its oversight of provider activities and payments. In addition, DPBH's oversight of infant care plan preparation and administration was lacking for opioid exposed infants. Furthermore, DPBH can enhance its oversight of statewide planning and grant preparation support activities. Improved DPBH oversight of funding, planning, and treatment providers, will enhance statewide activities designed to reduce the opioid epidemic's impact on Nevada citizens.

Key Findings:

- Of 17 contracts reviewed, five entities receiving federal substance use grant funding did not submit required progress reports to DPBH. (page 18)
- Of 64 entities needing a site visit from DPBH, 15 (23%) did not receive one and 24 (38%) did not receive a timely site visit. (page 19)
- We reviewed a sample of inspection records from a vendor DPBH oversees and identified repeat noncompliance in 21 of 30 (70%) providers the vendor inspected. (page 24)
- In 9 of 20 (45%) infant care plans for patients impacted by opioids, substance use treatment referrals for the mother were not documented. (page 25)
- The comprehensive state plan for programs for alcohol or other substance use disorders did not comply with certain required statutory components. (page 28)

Attorney General's Office (AGO)

Summary: AGO allocations of settlement funds to the State and local governments were accurate; however, AGO can improve its oversight of opioid litigation costs and contractual amendments. AGO did not identify excess interest charges to the State and some inaccuracies in interest calculations. After we notified AGO regarding these errors, AGO worked with the law firm to correct the interest charges. Additionally, invoiced costs were approved for reimbursement even though some costs were unallowable or invoices were incomplete. Finally, when the contingent fee contract was amended, AGO did not post two amendments online timely, including one with a significant monetary impact. Proper oversight and review of costs help ensure AGO is appropriately and effectively overseeing litigation expenses.

Key Findings:

- AGO calculations for recoveries, contingent fees, and allocations were accurate. (page 31)
- The State was charged excess interest accrued on costs. (page 32)
- AGO did not identify unallowable costs on some invoices charged to the State. (page 36)
- AGO did not ensure two amendments to the opioid contingent fee contract were timely publicly posted. (page 39)

Department of Human Services (DHS)

Summary: DHS can improve its monitoring of entities receiving opioid litigation settlement funding and its review of annual program reporting. Specifically, DHS can improve the quality of certain Fund for a Resilient Nevada (FRN) agreements to ensure fund recipients receive adequate oversight and provide sufficient reporting. In addition, DHS did not conduct required site visits for some funding recipients. Insufficient oversight increases the risk funding will not be used effectively or in alignment with program goals. Finally, a public report submitted to state leadership contained errors in FRN expenditures supporting opioid epidemic mitigation efforts.

Key Findings:

- DHS did not conduct annual site visits for 4 of 6 (66%) grant recipients with completed grant periods in our sample. (page 44)
- All 51 FRN funded awards we reviewed had award objectives that complied with state plan and settlement requirements. (page 44)
- DHS annual reports to state leadership had errors regarding 2023 and 2024 expenditures supporting opioid epidemic response mitigation efforts. (page 47)

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This report contains the findings, conclusions, and recommendations from our performance audit of the Response to the Opioid Epidemic: Funds and Activities. This audit was conducted pursuant to the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This report includes 24 recommendations to improve the Division of Public and Behavioral Health's management of grants and other statewide efforts related to the opioid epidemic response, the Attorney General's Office's oversight of opioid litigation costs and contracting, and the Department of Human Services' oversight of entities spending opioid litigation settlement funds. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel L. Crossman".

Daniel L. Crossman, CPA
Legislative Auditor

April 3, 2026
Carson City, Nevada

Response to the Opioid Epidemic: Funds and Activities

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Introduction

Background

Opioid use disorder involves a problematic pattern of opioid use that causes significant impairment or distress. It is characterized by compulsive use of opioid drugs even when the person wants to stop, or when using the drugs negatively affects the person's physical and emotional well-being. Individuals taking prescription opioids can develop opioid use disorder or can become tolerant to opioid treatment, meaning over time higher doses are needed to relieve pain. In either case, these factors can put individuals at a higher risk of a potentially fatal overdose.

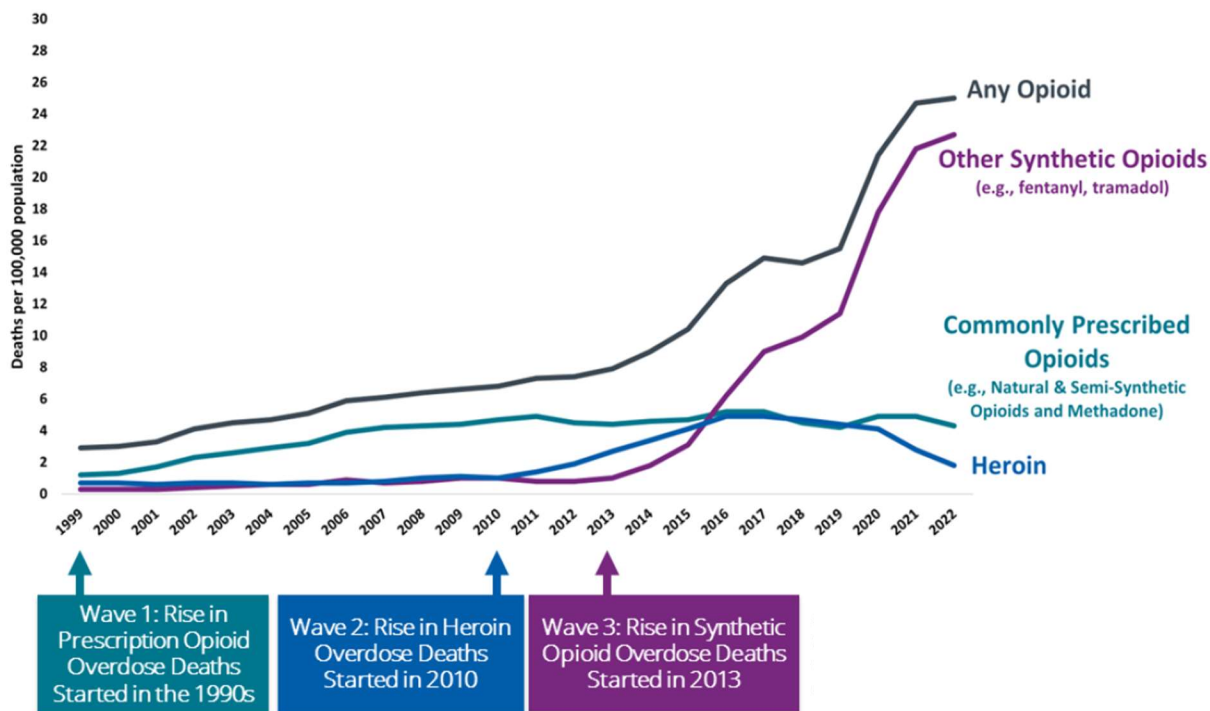
The Opioid Epidemic

In the 1990s, new prescription opioid medications were marketed at an intensified rate. From 1999 to 2010, sales of prescription opioids quadrupled. During this timeframe, opioid misuse and opioid-involved overdose deaths increased. In the United States between 1999 and 2010, the rate of overdose deaths more than doubled from 2.9 to 6.8 deaths per 100,000 people.¹ This is considered the first wave of opioid overdose deaths involving prescription opioids. The second wave began in 2010 with a rapid increase in overdose deaths involving heroin. The third wave began in 2013 with a substantial increase in overdose deaths involving synthetic opioids, particularly those involving illegally made fentanyl. Exhibit 1 on the following page shows a graph of opioid-related death rates by substance type from 1999 to 2022, illustrating the three waves of the opioid epidemic.

¹ Congress.gov, "The Opioid Crisis in the United States: A Brief History," accessed March 10, 2026, <https://www.congress.gov/crs-product/IF12260>.

United States Opioid-Related Death Rates and the Opioid Epidemic 1999 to 2022

Exhibit 1



Source: United States Centers for Disease Control and Prevention’s National Center for Health Statistics.

There were over 72,000 overdose deaths due to synthetic opioids, primarily illicitly manufactured fentanyl, reported in the United States in 2023. There were over 13,000 overdose deaths involving prescription opioids reported the same year. Synthetic opioids were involved in approximately 68% of overdose deaths nationwide in 2022 and the rate of overdose deaths involving synthetic opioids in 2022 was nearly 24 times the rate in 2013.²

Opioid Misuse Impact on Nevada Populations

The United States Centers for Disease Control and Prevention reported that for the year ending in September 2024, Nevada is one of five states that has seen an increase in overdose deaths.³ Meanwhile, the United States is generally seeing a decline in overdose deaths. Synthetic opioids like fentanyl are playing a major role in causing drug overdose deaths in Nevada. Reported drug overdose deaths due to synthetic opioids like fentanyl rose significantly from 2015 to 2023. Comparatively, deaths due to

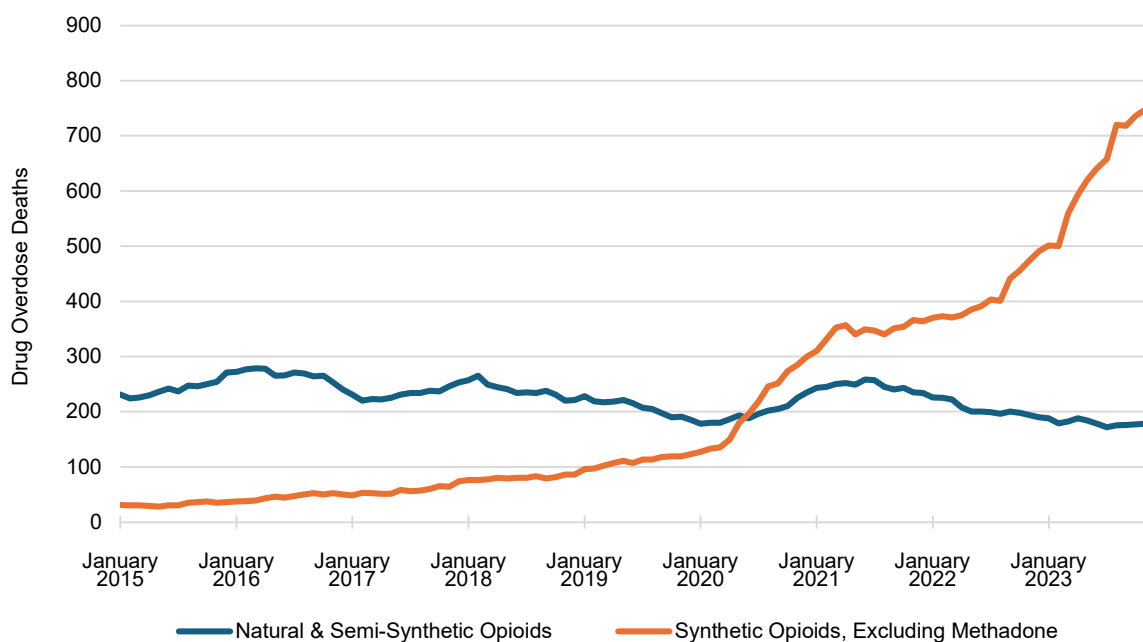
² Centers for Disease Control and Prevention, “Fentanyl,” accessed March 10, 2026, <https://www.cdc.gov/overdose-prevention/about/fentanyl.html>.

³ Centers for Disease Control and Prevention, “CDC Reports Nearly 24% Decline in U.S. Drug Overdose Deaths,” accessed March 10, 2026, <https://www.cdc.gov/media/releases/2025/2025-cdc-reports-decline-in-us-drug-overdose-deaths.html>.

prescription and non-prescription natural and semi-synthetic opioids decreased during the same timeframe. Exhibit 2 shows drug overdose deaths in Nevada by opioid drug class during 2015 to 2023.

Drug Overdose Deaths by Opioid Drug Class in Nevada 2015 to 2023

Exhibit 2



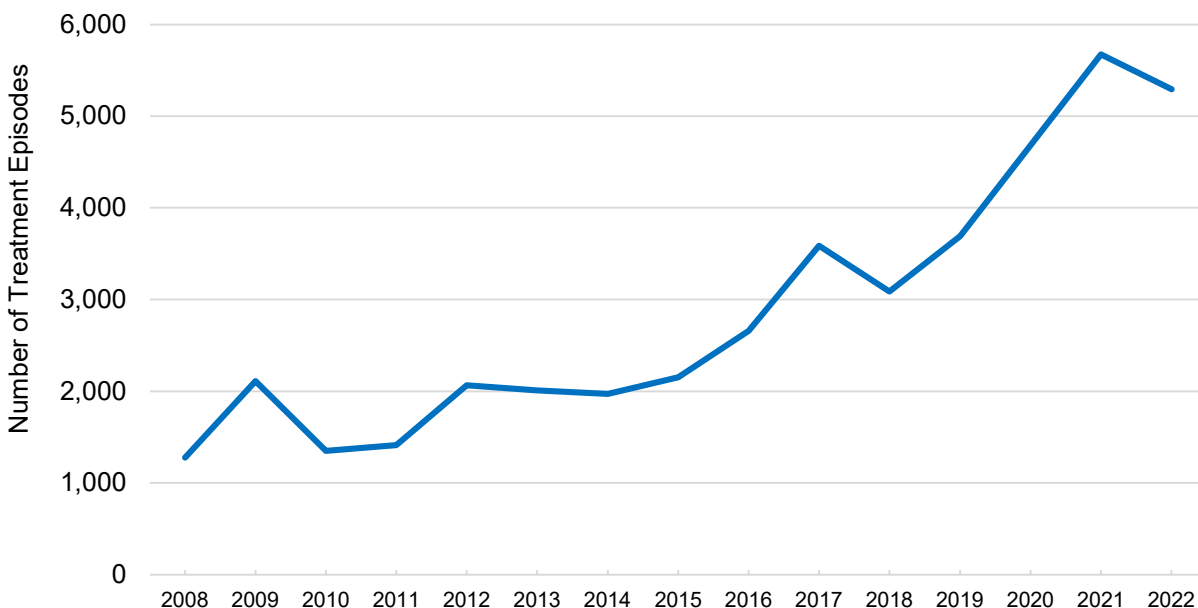
Source: Auditor prepared based on United States Centers for Disease Control and Prevention’s National Center for Health Statistics data.

Note: Each monthly datapoint includes the deaths over the preceding consecutive 12-month period.

Nevada’s Medicaid costs and state-run treatment facilities have also been impacted by opioid misuse and its effects. In state fiscal year 2023, Nevada Medicaid Fee-For-Service reported paying over \$61 million in claims related to opioid misuse in Nevada for over 18,000 Medicaid clients who had opioid use or opioid poisoning related diagnoses codes. From 2008 to 2022, treatment episodes for patients being treated at Nevada Division of Public and Behavioral Health (DPBH) facilities with a diagnosis of an opioid-related disorder have significantly increased. Exhibit 3 on the following page shows the treatment episodes for patients with opioid-related disorders at DPBH facilities from calendar years 2008 to 2022.

Treatment Episodes for Patients with Opioid-Related Disorders at DPBH Facilities in Nevada 2008 to 2022

Exhibit 3



Source: Auditor prepared based on DPBH patient records.

Opioid Misuse Impact on Infants

Opioid misuse impacts more than just those taking the drugs, it also impacts the children and families of those afflicted with opioid use disorder. Post birth, 60% to 80% of infants exposed to opioids in the womb will develop neonatal opioid withdrawal syndrome.⁴ The symptoms of this syndrome in infants mirror those seen in adults withdrawing from opioids, including disturbed sleep, tremors, seizures, fever, diarrhea, and vomiting. Additionally, infants with this syndrome have a heightened risk of sudden unexpected death.

During early childhood, infants with a history of neonatal opioid withdrawal syndrome show markedly lower scores in cognitive and motor skills and are more prone to learning disabilities, developmental delays, and speech and language disorders. Prenatal substance-exposed infants had a significantly higher incidence of being admitted to the Neonatal Intensive Care Unit, requiring a ventilator, and having negative health status indicators like congenital anomalies, low birthweight, and preterm birth.

⁴ Office of Analytics, Department of Human Services, “Addressing Gaps in Care: Health Outcomes of Infants with Gestational Exposure to Substances in Nevada (2018-2020),” accessed March 11, 2026, https://www.dhs.nv.gov/siteassets/content/programs/office-of-analytics/Health_Outcomes_of_Infants_with_Gestational_Exposure_to_Substances_in_Nevada.pdf.

State and Federal Opioid Epidemic Response

After the substantial rise in opioid related deaths in the 1990s and 2000s, states and the federal government implemented various initiatives to curb opioid misuse and drug-related overdose deaths. In the United States, this included, but is not limited to, the Comprehensive Addiction and Recovery Act (CARA) of 2016, and the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act (SUPPORT).

The federal Substance Abuse and Mental Health Services Administration (SAMHSA) has awarded billions of dollars in grants to support states, local government entities, and service providers in preventing and treating substance use disorders, including opioid use disorder. Grants were awarded to all 50 states. Two major federal grants are the Substance Use Prevention, Treatment, and Recovery Services Block Grant (SUBG) and the State Opioid Response (SOR) grant. While SUBG funding focuses on a wide range of prevention, treatment, and recovery services for all substance use disorders, SOR funds specifically focus on opioid use disorder by increasing access to medication, harm reduction services, and treatment.

DPBH Oversight of Opioid Epidemic Response Funding

DPBH plays a central role in many opioid epidemic response activities including, but not limited to:

- receipt and monitoring of plans designed to support infants born with substance and opioid exposure;
- statewide substance use strategic planning;
- federal substance use grant funding oversight; and
- certification of substance and opioid misuse treatment providers.

DPBH is awarded and oversees federal grants from SAMHSA. SUBG and SOR federal grants provided Nevada with over \$115 million in funds from 2018 to 2023.

In Nevada, SUBG funding is intended to:

- reduce substance misuse;

- improve access to prevention and treatment services; and
- certify Nevada substance use providers.

In Nevada, SOR grants are intended to:

- expand access to naloxone, an opioid antagonist used to rapidly reverse opioid overdoses;
- reduce opioid overdose-related deaths through the provision of prevention, treatment, and recovery services for opioid use disorder;
- increase the use of evidence-based medications to treat opioid use disorder; and
- expand harm reduction programs and services.

For multiple years of the SOR grant, DPBH predominantly funded one vendor to whom DPBH assigned significant grant management responsibilities such as project planning and monitoring activities. From September 2022 to September 2024, multiple state entities distributed more than 282,000 naloxone doses to entities and the public, and there were also over 2,200 reported reversals of the overdoses.

DPBH Management of Substance Use Response Planning

DPBH is a central figure in planning projects and supporting public and private grant applications relating to substance use. State law requires DPBH to complete two critical functions related to statewide substance use response planning.

First, DPBH must formulate and operate a comprehensive state plan for programs for alcohol or other substance use disorders.

Key elements of the statewide plan include:

- surveys to identify the needs related to substance use providers; and
- plans to develop the resources to provide the treatment, support the programs, and educate the public.

Second, DPBH must be consulted in the planning of projects and all applications for grants in Nevada concerning programs for alcohol or other substance use disorders. This includes projects

and grant applications from all state, local government, and private entities. DPBH is also required to review these applications and advise the applicants concerning the applications.

DPBH Oversight of Infant Care Plans

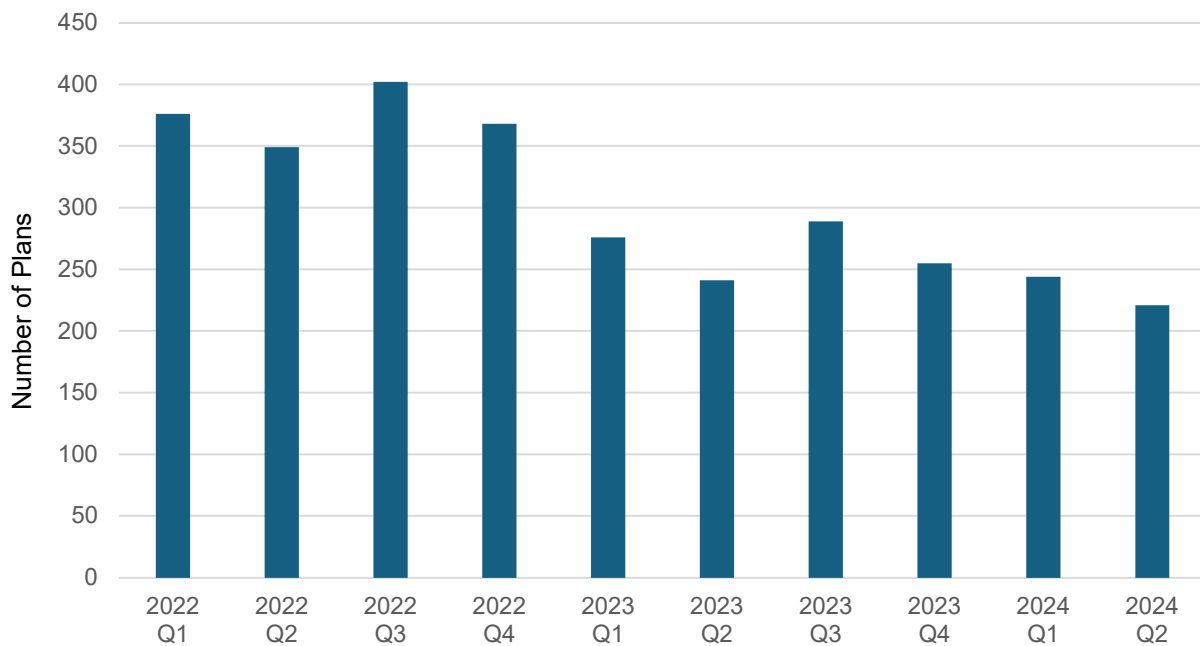
Due to the passage of CARA, some federal grant funding was made conditional on the development of care plans created by the infant's health provider for infants affected by substance use or withdrawal symptoms. These plans of care are meant to facilitate communication among service providers to support the wellbeing of the infant, as well as identify services for the caregivers. However, while a health provider is required to create a plan, the plan is voluntary, and regulations do not require the parent or legal guardian to obtain the services outlined in the plan.

DPBH regulations require health providers to create infant plans of care, provide a copy to the parent or legal guardian of the infant, and submit plans to DPBH within 24 hours of discharge. These plans are required to include measures to ensure the safety of the infant, to address the needs of the infant and family or caregiver, and to ensure the infant and family or caregiver receives necessary services. Finally, DPBH must monitor the implementation of each plan to ensure the infant and family or caregiver are receiving appropriate services.

Health providers are required by law to report to child welfare agencies infants affected by prenatal substance use disorder or exhibiting withdrawal symptoms related to prenatal substance exposure. Child welfare agencies review and investigate these reports. Thus, child welfare agencies will be involved with families and infants that are the subjects of these plans. DPBH is required to provide the infant care plans to child welfare agencies if requested. For 2022 and 2023, there was an annual average of over 1,200 infant care plans created by health providers. Exhibit 4 shows the total quarterly number of infant care plans created in Nevada from January 2022 to June 2024.

Total Quarterly Infant Care Plans in Nevada January 2022 to June 2024

Exhibit 4



Source: Auditor prepared based on DPBH records.

Note: Quarters presented are based on calendar year. Data was extracted in August 2024, so only the first two quarters of 2024 were included in this exhibit.

While the data shows a decline, several factors could account for the decline, such as fewer infants affected by substance use, or fewer infant care plans being created by health providers.

After the passage of Senate Bill 494 of the 83rd Session (2025), oversight of infant care plans was transferred from DPBH to the Health Care Purchasing and Compliance Division of the Nevada Health Authority.

DPBH Certification of Substance Use Treatment Providers

In Nevada, a program must be certified by DPBH to be eligible to receive state or federal money administered by DPBH for alcohol and drug misuse treatment programs. Certification requires providers to comply with an array of standards for assessment, care, and program oversight. DPBH receives certification applications and ultimately is responsible for certification approval.

DPBH is assigned administrative responsibility over federal substance use funding. While DPBH is not responsible for direct service delivery, it distributes grant funding to contractors and subrecipients, which provide substance use prevention and

treatment services. DPBH funds substance use prevention and treatment providers directly through these funds. Additionally, DPBH contracted with a vendor to complete substance use provider certification site visits and to provide ongoing technical assistance to providers.

During a certification site visit or inspection, inspectors review organizational and clinical oversight and patient records for compliance with state and federal standards. Detailed reviews are documented by inspectors in reports. A certification site visit or inspection can result in provider certification lasting up to 2 years or a provider can have shorter certification periods with increased technical assistance and visits if there is significant noncompliance. A sufficiently low score results in the provider needing to submit a corrective action plan.

Opioid Litigation and Settlement Funding

In 2017, the Attorney General's Office (AGO) engaged in an ongoing investigation to help address the opioid crisis in Nevada. AGO worked with a coalition of attorneys general across the country to investigate the role opioid manufacturers played in creating or prolonging the opioid epidemic. In 2018, AGO filed a lawsuit against Purdue Pharma and its affiliates, which manufactured opioids. The lawsuit alleged Purdue Pharma engaged in deceptive marketing regarding the risks and benefits of prescription opioids, fueling Nevada's opioid epidemic and leading to opioid overdose deaths of Nevadans. Later, AGO investigated other opioid manufacturers, distributors, marketing firms, and pharmacies.

In 2019, Nevada's Governor, in consultation with the Attorney General, issued a Declaration of Findings to address the need to enter into a contingent fee contract with outside counsel to represent the State in opioid epidemic related litigation. Shortly after, AGO obtained approval from the Interim Finance Committee (IFC) to work with the Purchasing Division of the Department of Administration to advertise for outside counsel through a competitive bidding process.

An evaluation committee, including members within and outside AGO, evaluated the proposals and chose the winning bidder. AGO

entered contract negotiations with a Nevada-based law firm as outside counsel to assist the State of Nevada in the opioid litigation. The contingent fee contract was executed in May 2019. Other local governmental entities in Nevada, including counties, cities, and districts, contracted for their own legal representation in separate contracts. These local governmental entities in Nevada are predominantly represented by the same law firm that represents the State.

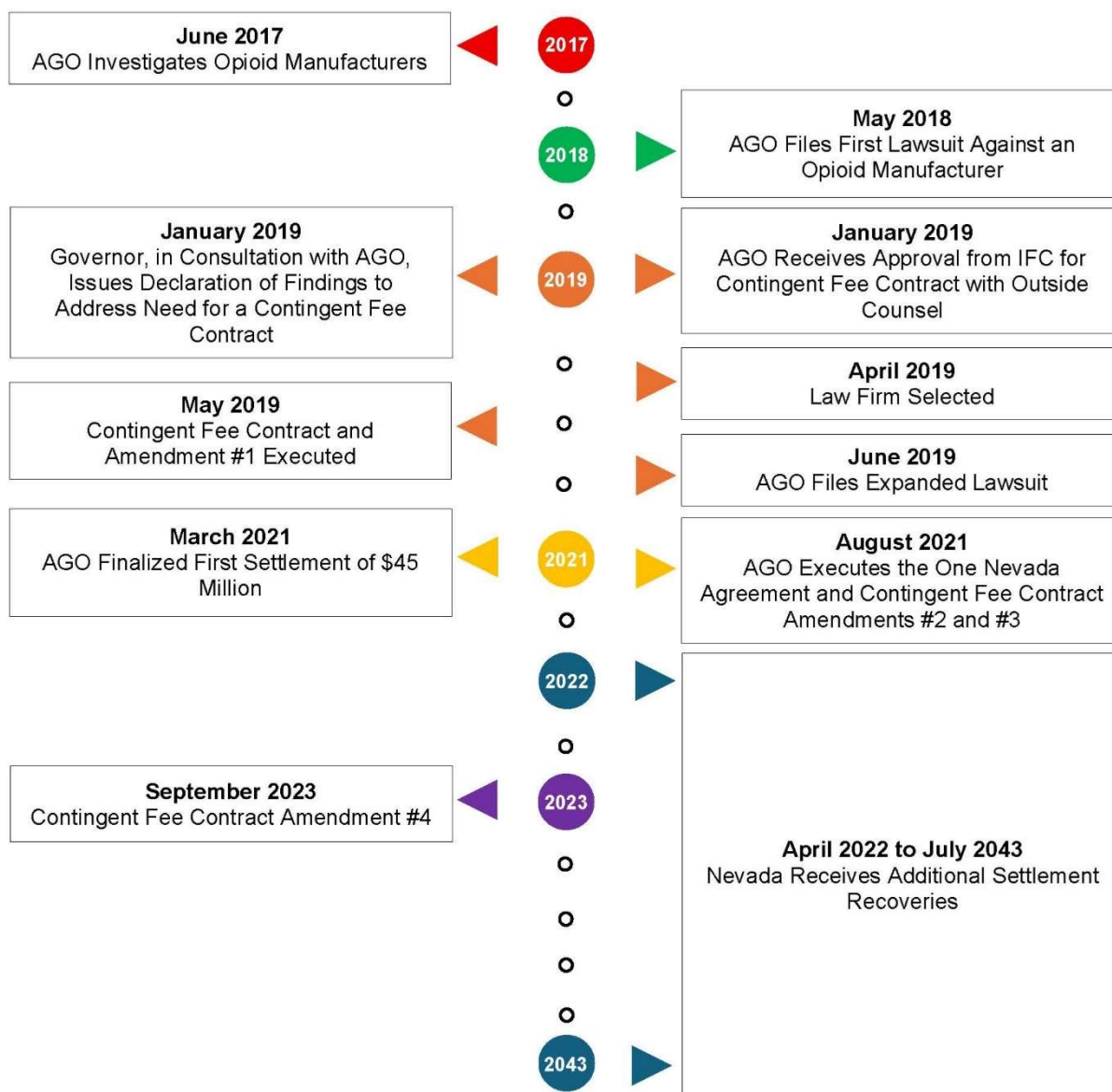
The State's contract requires the law firm to initially pay for all costs and expenses associated with the investigation and litigation, and if no recovery is obtained, the State will not pay the costs. If money is recovered, the law firm is reimbursed for costs and receives a fee that ranges from 9.0% to 21.5% of recovered money after costs are deducted.

In 2019 and 2021, AGO filed complaints against over 60 defendants that included manufacturers, distributors, marketing firms, and pharmacies involved in opioid production, distribution, or sales. A settlement finalized in March 2021 was the first opioid litigation funding Nevada received, which totaled \$45 million. Aside from monetary receipts, settlements also resulted in injunctive relief benefiting the State. Examples of injunctive relief in settlements included the following actions for certain entities: a ban on manufacturing and selling opioids, a ban on the promotion of opioids, restrictions on lobbying, required reporting and data transparency initiatives, and increased oversight of pharmacies.

In August 2021, AGO entered into an intrastate allocation agreement with Nevada counties and litigating cities called the One Nevada Agreement on Allocation of Opioid Recoveries, which provided a mechanism and specific percentages for the allocation of opioid-related settlement funds in Nevada. Through this agreement the State of Nevada and local governments in Nevada receive defined allocations of the recoveries. Exhibit 5 is an opioid litigation timeline in Nevada.

Opioid Litigation Timeline in Nevada from June 2017 to July 2043

Exhibit 5



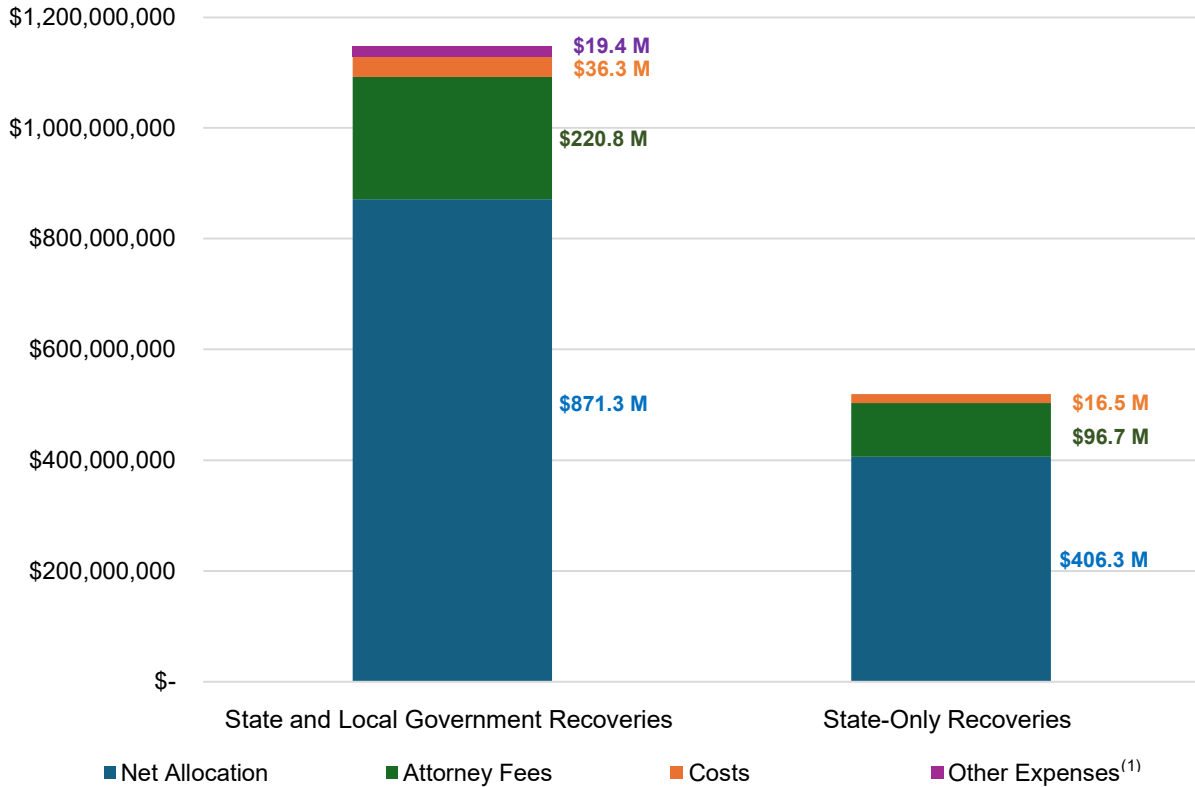
Source: Auditor prepared based on AGO discussions and review of AGO records.

From 2022 to 2025, AGO finalized additional settlements benefiting Nevada and associated local governments. Total received and scheduled recoveries from all settlements, as of May 30, 2025, are over \$1.14 billion with \$36.3 million in costs and \$220.8 million in attorney fees. The State of Nevada, excluding local governments, is scheduled to receive a total of \$519.5 million in recoveries with \$16.5 million in costs and \$96.7 million in attorney fees. Recoveries include the monetary values received, and scheduled

to be received, from settlements. Exhibit 6 shows the Nevada opioid settlement recoveries, costs, and fees projected to 2043, as of May 2025.

Nevada Opioid Settlement Recoveries, Costs, and Fees to 2043

Exhibit 6



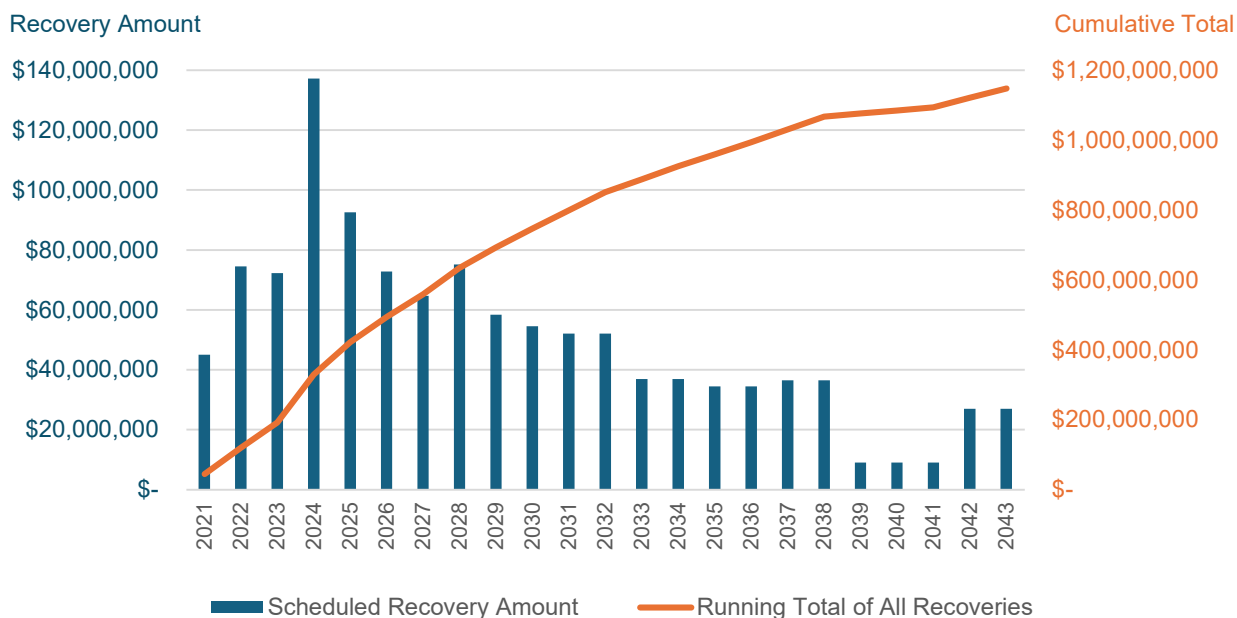
Source: Auditor prepared based on AGO records, as of May 2025.

⁽¹⁾ Other expenses include the Common Benefit Fund expenses which support certain litigation activities. The state-only recoveries are not subject to these specific expenses.

The recoveries are not received all at once but are scheduled to be received on a payment schedule to July 2043. Exhibit 7 shows the scheduled opioid settlement recoveries from 2021 to 2043, as of May 2025.

Nevada Opioid Settlement Recoveries to 2043

Exhibit 7



Source: Auditor prepared based on AGO records, as of May 2025.

Note: Specific settlement amounts could be subject to change due to additional settlements or adjustments to recoveries pursuant to legal actions such as bankruptcy.

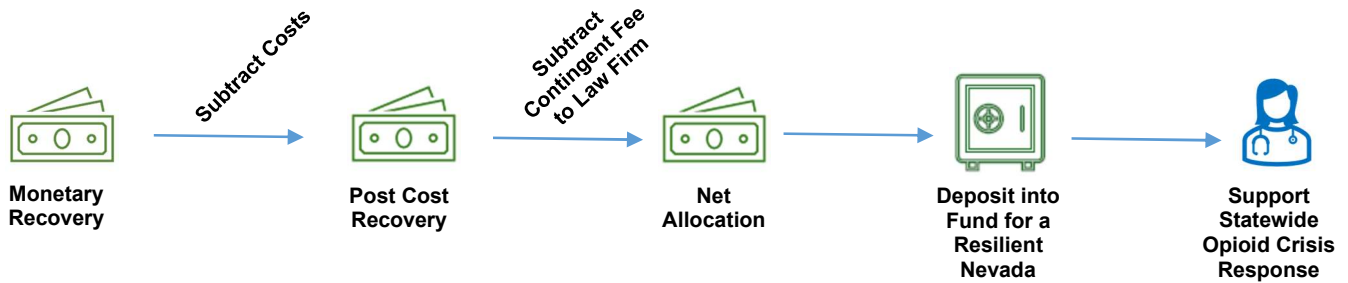
DHS Fund for a Resilient Nevada

In 2021, legislation was passed establishing the Fund for a Resilient Nevada (FRN) within the Department of Human Services (DHS). Unless otherwise required by a judgment or settlement, AGO, after deducting any costs and fees, deposits all opioid litigation monetary recoveries received for the State of Nevada in the FRN. The fund was created to promote efforts to address opioid-related risks, harms, and impacts.

Between fiscal years 2022 and 2025, FRN has received over \$121 million in funding to be used to address the opioid epidemic in Nevada. Exhibit 8 shows the progression of Nevada opioid settlement money from receipt to use in the opioid epidemic response.

Progression of State-Only Opioid Settlement Money

Exhibit 8



Source: Auditor prepared based on discussions with AGO staff and review of AGO records and the contingent fee contract.

Note: This exhibit applies only to the State of Nevada as local governments have separate accounts to which funds are ultimately deposited.

DHS is required by state law to develop a statewide needs assessment and plan every 4 years to allocate FRN funding. This assessment and plan identifies priorities related to addressing opioid-related risk, harms, and impacts and establishes requirements governing the use of money allocated from the FRN. Finally, DHS is required to transmit a report annually concerning FRN activities, revenues, and expenditures to various government entities and behavioral health boards.

DHS published the first FRN needs assessment and statewide plan on December 1, 2022. The needs assessment included state and federal opioid use disorder data, an assessment of the current systems addressing opioid use disorder in Nevada, and gaps in the systems. The statewide plan included seven major goals along with detailed strategies and objectives for each goal. The list of the goals and expenditures related to each goal in fiscal years 2023 and 2024 are presented in Exhibit 9.

**FRN Expenditures by State Plan Goal
Fiscal Years 2023 and 2024**

Exhibit 9

Goal Number	Goal Description	2023	2024	Total
1	Ensure local programs have the capacity to implement recommendations effectively and sustainably	\$ 41,944	\$ 300,714	\$ 342,658
2	Prevent the misuse of opioids	0	498,142	498,142
3	Reduce harm related to opioid use	140,000	140,000	280,000
4	Provide behavioral health treatment	1,044	1,495,691	1,496,735
5	Implement recovery communities across Nevada ⁽¹⁾	0	0	0
6	Provide opioid prevention and treatment consistently across the criminal justice and public safety systems	13,389	149,359	162,748
7	Provide high quality and robust data and accessible, timely reporting	24,149	1,322,305	1,346,454
Totals		\$220,526	\$3,906,211	\$4,126,737

Source: Auditor prepared based on DHS records.

⁽¹⁾ FRN provided fiscal records evidencing expenditures for this goal beginning in fiscal year 2025.

FRN expended over \$11.4 million in fiscal year 2025 to support its state plan goals. FRN expenditures for entities supporting state plan initiatives started in March 2023 and have supported programs, including but not limited to the following: outpatient and residential care provided by opioid use disorder treatment providers, the purchase of harm reduction supplies, youth training and prevention activities, and law enforcement implementation of technology to detect dangerous opioids and other substances.

Scope and Objective

The scope of this audit included activities from January 2021 to September 2024, and prior years for certain oversight activities and financial documentation. Our audit objective was to:

- Determine if state agencies are adequately overseeing opioid epidemic response funding, opioid litigation recoveries, treatment providers, and statewide planning.

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission, and was made pursuant to the provisions of NRS 218G.010 to 218G.350. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

The Division of Public and Behavioral Health Can Improve Its Oversight of Providers and Funding

The Division of Public and Behavioral Health (DPBH) plays an important role in the fight against opioid use disorder. From 2018 to 2023, over \$115 million in federal funds were overseen by DPBH to help counter the opioid epidemic in Nevada. We found DPBH can improve its oversight of provider activities and payments. In addition, DPBH's oversight of infant care plan preparation and administration was lacking for opioid exposed infants. Furthermore, DPBH can enhance its oversight of statewide planning and grant preparation support activities. Improved DPBH oversight of funding, planning, and treatment providers, will enhance statewide activities designed to reduce the opioid epidemic's impact on Nevada citizens.

Federal Grant Oversight Needs Improvement

DPBH can improve its oversight of millions of dollars in federal grants being used to address substance use and the opioid epidemic response. Specifically, it did not collect required reporting and did not adequately review some invoices. Also, DPBH did not complete certain site visits designed to assess program compliance, nor did it ensure entities it oversaw resolved some deficiencies. Lastly, DPBH did not execute certain contracts in a timely manner, delaying entities' receipt of funding. The timely issuance of contracts and subawards supports substance use prevention and treatment organizations so they do not have to wait for funding needed for staffing and services.

Oversight of Grant Reporting and Reimbursement Could Be Improved

DPBH processes could be improved to ensure entities submit required grant reporting. DPBH can also enhance its review of reimbursement requests relating to federal substance use grant funding. We tested 17 contracts and subawards with expended funds over \$15.4 million and identified the following issues:

- Five entities with contracts or subawards did not submit any progress reports.
- Five entities did not submit final performance reports.

Additionally, we reviewed 33 invoices from the contracts and subawards, and identified 5 contracts with deficient invoices. Three of these contracts did not have adequate supporting documentation such as receipts or evidence of work completed to support the grant objective. In addition, for two other contracts, services were billed above the contracted rate or outside of approved contracted categories. In these two contracts, we found the following issues:

- On one invoice, DPBH reimbursed almost \$16,000 for a service code which was not on the approved rate schedule.
- On two invoices for one contract, DPBH reimbursed for services at a rate higher than the rate in the contract, resulting in an overpayment of over \$14,000 for the services. Since we only assessed a sample of the entity's total contracted value of \$375,000, DPBH could have similarly overpaid other monthly invoices.

When reporting and reimbursement issues go unaddressed, DPBH and subrecipients may not be in compliance with federal or state grant requirements, which can put federal funding at risk or decrease subrecipient performance. Additionally, due to missing progress reports and final reports, DPBH did not have complete information concerning past performance. Policies require that certain grant documentation be maintained, but DPBH did not ensure staff followed these processes.

Regarding vendor invoices, DPBH did not identify invoice errors, that if corrected, could have saved funds designed to support the opioid epidemic response. Management stated the agency was in the process of building staff resources and procedures and training the staff needed to properly review invoices and address other oversight issues.

Risk Assessments Not Always Completed

DPBH did not ensure required risk assessments were completed for certain entities receiving federal funds. Specifically, DPBH did not have documentation it assessed risk for 16 of 80 (20%) subrecipients. Inadequate documentation of risk assessments could lead to subrecipients being monitored late or not at all.

Federal regulations require DPBH or its authorized representative to perform a risk assessment of subrecipients' compliance with federal subaward requirements and conditions when federal funding is received. This risk assessment helps DPBH determine the appropriate intensity of subrecipient monitoring. DPBH policy requires staff to compile a list identifying all entities receiving grant funding and their risk. It also defines increased monitoring for higher risk recipients.

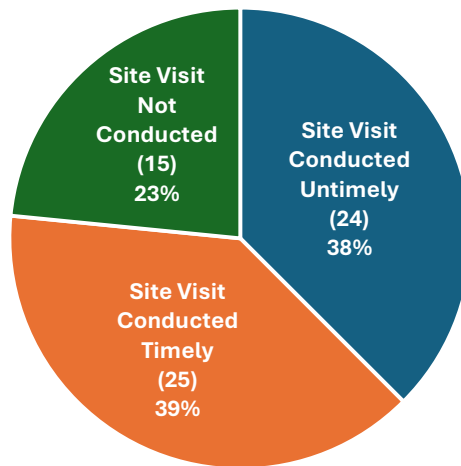
Some Subrecipient Monitoring Was Not Conducted

DPBH did not sufficiently oversee entities receiving federal grant funding initially awarded to DPBH. Evidence of site visits was not found for certain entities, while for others, site visits were untimely. In addition, some DPBH site visit documentation was incomplete. Thus, DPBH could not evidence in certain cases they sufficiently oversaw entities receiving federal funding.

DPBH or a vendor approved by DPBH to oversee granted funds did not identify 26 (32%) subrecipients on their lists used to document those entities needing a site visit. We assessed for the existence and timeliness of site visits for the 64 subrecipients for which DPBH completed risk assessments and had definitive due dates for site visits. Of 49 subrecipients for which DPBH conducted site visits, the average site visit was conducted 123 days late. Exhibit 10 shows the site visit completion status for entities overseen by DPBH.

**Site Visit Completion Status
September 2020 to September 2024**

Exhibit 10



Source: Auditor prepared based on DPBH and oversight vendor records.

We also reviewed DPBH documentation from 20 site visits to determine if they appropriately assessed programmatic activities, policies and procedures, grant expenditures, and that entities kept track of and secured inventory. Of these 20 visits, 15 (75%) had incomplete site visit documentation. Inadequate site visit documentation was missing a complete assessment of programmatic functions, policies and procedures, inventory practices, or grant expenditures.

When DPBH does not monitor subrecipients appropriately, federal requirements are unmet, and DPBH is unable to meet its stated objectives for monitoring. Thus, subrecipient compliance and fulfillment of objectives could suffer. Appropriate monitoring includes verifying proper utilization of grant funds, enhancing grant program compliance through corrective action, and fostering the improvement of grant performance.

DPBH management stated during the COVID-19 pandemic there was staff turnover and site visits were not completed. Subsequently, DPBH staff began conducting site visits, but staff were untrained, and it led to incomplete site visit documentation.

Identified Deficiencies Not Always Resolved

DPBH did not always ensure issues identified in site visits were resolved. Of 11 site visits tested with deficiencies, 7 (64%) did not have evidence many deficiencies were addressed or resolved. The 7 site visits had a total of 29 deficiencies, which lacked sufficient follow up or resolution for 17 (58%). Examples of deficiencies included insufficient documentation supporting expenditures and inadequate policies and procedures regarding fiscal oversight and inventory practices. When deficiencies identified during site visits are not resolved, entities receiving substance use funding may not meet performance standards and deficiencies may persist without being detected and corrected.

Although DPBH policy has a detailed process relating to resolving corrective action plans, management stated it only uses corrective action plans for severe noncompliance. Policy does not define an adequate process for DPBH to resolve less severe findings through the use of documented plans of correction and follow up. DPBH management indicated they need to train staff regarding the process to follow up with entities implementing recommendations from site visits.

Funding Subrecipients Was Not Timely

DPBH processes did not ensure the timely awarding of funding to address substance use and the opioid epidemic response. We reviewed 17 contracts and subawards totaling over \$15.4 million and identified the following concerns:

- Nine contracts and subawards were executed more than 90 days after the award planned start date. DPBH management instructs staff to ensure contracts are not executed after the planned start date. A subaward more than 90 days late may negatively impact the finances of DPBH's nonprofit community partners because they could have limited budgets and resources.
- The average number of days to execute a contract or subaward was 121 days with 5 contracts taking over 150 days to execute. One subrecipient serving rural populations waited over 220 days for their \$29,000 subaward to be executed so it could receive payment.

DPBH policies and procedures do not specify timeliness requirements for contract execution. Timely contract execution helps ensure important services are provided as soon as practicable.

Recommendations

- DPBH 1. Train staff regarding invoice review, required reporting, and subaward oversight to strengthen checks for quality and completeness.
- DPBH 2. Implement policy to document risk assessments and assign proper monitoring timelines for all subrecipients and ensure management performs regular reviews of the subrecipient monitoring schedule to ensure it includes all required entities.
- DPBH 3. Complete site visits for entities receiving substance use related funding in accordance with policy, ensuring higher-risk entities are inspected during their subgrant periods.
- DPBH 4. Follow existing policies and procedures to ensure site visits document a comprehensive review of programmatic and fiscal activities.
- DPBH 5. Improve subrecipient monitoring program policy and procedures to ensure noncompliant subrecipients submit a plan of correction for all identified deficiencies, and there is a process to document deficiencies are corrected.
- DPBH 6. Maintain appropriate substance use grant contracting, monitoring, and reporting documentation.
- DPBH 7. Improve contracting policies and procedures to ensure timely disbursement of substance use grant funds.

Certified Provider Oversight Can Be Improved

DPBH can improve its oversight of the substance use disorder provider certification process, including its management of provider program-related information and provider corrective action. DPBH funds a vendor to conduct substance use treatment and prevention program evaluation, certification, and technical

assistance. Accurate information regarding substance use disorder services and insurance acceptance makes it easier for the public to access services. When DPBH does not ensure providers are timely correcting deficiencies identified during certification visits, these facilities could be providing patient care services that do not support the quality of treatment patients deserve.

Provider Information Accuracy Could Be Improved

DPBH can improve the quality of certified substance use disorder provider information it oversees. For example, DPBH's reports of certified providers from 2022 and 2023 were missing many providers. Compared to a list of 126 providers a contracted vendor maintained, DPBH's list was missing 54 (43%) providers as of October 2024.

When DPBH does not have adequate records of certified providers, DPBH's ability to be aware of and oversee the population of providers is diminished. DPBH staff reported the certification system had limitations and was difficult to use. Staff also reported there was insufficient personnel assigned to the program in the past, and staff were inexperienced in how to use the certification system.

Additionally, DPBH did not ensure a website maintained by a contracted vendor published accurate information regarding provider certification levels and acceptance of Medicaid. Specifically, 5 of 30 (17%) providers tested had some inaccurate information published on the website regarding their available substance use disorder treatment services. Inaccuracies included missing service levels, listing discontinued service levels as active, or listing providers as active that were no longer certified. Additionally, 6 of 30 (20%) providers had conflicting information regarding their acceptance of Medicaid.

Inaccurate website information hinders the public's ability to access substance use disorder treatment services. DPBH has not established adequate policies or procedures regarding DPBH's or the contracted vendor's processes to ensure the accuracy of website information.

Certified Providers Had Repeat Findings

Although inspections were completed timely by the vendor, DPBH could improve its oversight of the corrective action process to ensure findings are remedied in a timely manner. For example, we found 21 of 30 (70%) certified substance use treatment providers tested had repeat noncompliance. Of the 21 providers with repeat noncompliance, 85% had more than one instance of repeat noncompliance. Examples of repeat noncompliance included:

- substance use and mental health assessments were not administered correctly;
- lack of documentation the treatment plan addressed concerns or was not updated as needed;
- care plan or assessment results were not adequately communicated to the client; and
- insufficient evidence the client met criteria for discharge.

Individual providers had an average of four repeat noncompliance issues per inspection document reviewed. When treatment providers do not correct repeat noncompliance timely, individuals obtaining services may not receive treatment services meeting the minimum quality of care defined in state regulation and by national standards.

Policies and procedures did not require documentation of plans of correction for identified findings or repeat findings unless there is severe non-compliance. Aside from the guidance for severe noncompliance, the established formal certification policy is inadequate in defining specific policies, procedures, and responsibilities of DPBH and its vendor for resolving findings beyond requiring more frequent inspections and providing technical assistance.

DPBH provider certification staff reported they were new to the office and are working to improve oversight of the vendor's certification documentation and improve communication with the vendor that completes the inspections. DPBH staff also reported certification documentation was not tracked well prior to their tenure.

Recommendations

- DPBH 8. Modify existing procedures and training relating to the substance use disorder treatment provider certification information system to improve staff understanding of system operation and to ensure staff appropriately maintain certification information.
- DPBH 9. Establish policies and procedures to improve oversight of certified substance use disorder treatment provider website information to increase the accuracy of provider information available to the public.
- DPBH 10. Develop policies and procedures related to inspections of substance use disorder treatment providers to identify and document all providers with inspection findings, prioritize severity of findings, and create a process to track correction of identified findings.

Infant Care Plan Oversight Lacking

DPBH did not establish an adequate process to ensure health providers' care plans for infants affected by opioid misuse were complete. While the infant's caregivers ultimately choose to seek and receive services that are referred, health providers should ensure sufficient information is provided so caregivers can seek those referred services. Additionally, DPBH did not fulfill its regulatory responsibility to sufficiently review and monitor each plan, including its implementation. When plans are incomplete, there is an increased risk caregivers and families affected by prenatal opioid use disorder will not receive adequate services.

Some Infant Care Plans Were Missing Key Information

We identified the following issues in a sample of 20 opioid-related infant care plans.

- Nine of 20 (45%) plans did not document substance use treatment referrals were offered to the mother, and 4 of 9 (44%) plans did not document any services or referrals were offered to the mother.
- Four of 20 (20%) plans did not document any services or referrals were offered for the infant.

- Twelve of 16 (75%) plans with referrals were missing adequate referral information for the mother, while 14 (88%) were missing adequate referral information for the infant. Examples of missing information included omitted provider names and contact information.

Incomplete care plans increase the risk health providers are not adequately assessing the needs of infants and families with opioid and substance use disorders and referring clients to necessary substance use treatment, health care, and additional needed services.

State regulations do not require that care plans include specific types of referrals for substance use treatment. However, due to the serious nature of drug use described in these referrals (80% of sampled plans involved non-prescribed opioids, and 50% of sampled plans involved non-prescribed opioids and methamphetamine and/or cocaine), substance use treatment referrals would be expected. Increased state oversight of these plans could improve development or documentation of these referrals.

Infant Care Plan Implementation Not Reviewed or Monitored

For all 20 infant care plans tested, there was no evidence DPBH reviewed the plan or monitored the implementation of the referred care as required by regulation. DPBH staff confirmed they did not individually assess care plans or monitor implementation to ensure the infants received appropriate services. If adequate case management does not occur, there is an increased risk the infant and family are not receiving needed services.

DPBH management stated they did not have the staffing resources, including clinicians or case managers assigned to this project, to adequately case manage all infant care plans. Therefore, DPBH only monitored overall trends. We reviewed the documentation submitted when the regulation requiring DPBH oversight of the plans was established. It stated the workload created by these adopted regulations would be absorbed into DPBH's existing workload, and there were no costs anticipated for DPBH to carry out the regulations. Thus, regulatory planning did

not anticipate the necessary resources to allow DPBH to adequately case manage plans.

Statewide policy requires child welfare agencies to screen every referral relating to the infant care plans they receive to determine if an investigation and intervention are necessary. In the sample of infant care plans we assessed, we identified documentation of child welfare involvement in all cases. Although child welfare agencies were involved in each case we reviewed, DPBH could have helped improve the quality of these plans through enhanced review and training of hospital and medical facility staff.

Reassignment of Infant Care Plan Oversight Responsibility

Senate Bill 494 of the 83rd Session (2025) created the Nevada Health Authority and reassigned oversight of infant care plans from DPBH to the Health Care Purchasing and Compliance Division of the Nevada Health Authority. Due to this change occurring after the scope of our audit, we adapted the recommendations to support the transition of oversight responsibility of infant care plans between DPBH and the Health Care Purchasing and Compliance Division.

Recommendations

- DPBH 11. Implement a plan to support the transition of oversight responsibility of infant care plans to the Health Care Purchasing and Compliance Division.
- DPBH 12. Communicate and share training materials and other relevant information with the Health Care Purchasing and Compliance Division to support its efforts to train hospital and medical facility staff to improve the completeness and quality of infant care plans.
- DPBH 13. Communicate and share guidance and pertinent historical information with the Health Care Purchasing and Compliance Division that would support it in developing policies and procedures for oversight of infant care plans.

Statewide Planning and Grant Review Can Be Enhanced

The comprehensive state plan for programs for alcohol or other substance use disorders created by DPBH did not comply with certain required statutory components. In addition, DPBH was not notified and did not review many substance use grant applications in Nevada as required by statutes. Division review of substance use grants could improve the quality of the grants and assist with improved coordination of efforts relating to statewide substance use-related activities.

Statewide Substance Use Plan Incomplete

The comprehensive state plan for programs for alcohol or other substance use disorders did not comply with three of the nine required statutory components. The plan did not contain the following required elements:

- a survey of the need for substance use treatment providers;
- a survey of other persons involved in substance use disorder prevention; and
- did not consider all statewide federal and state substance use funding streams. Although it referenced one major federal grant, it lacked complete details of other major statewide funding.

After multiple requests and reviewing multiple documents from DPBH, we found the missing information was partially addressed. When the statewide plan is incomplete, the public and entities throughout the State could have difficulties accessing and understanding statewide substance use disorder-related planning and programs. This occurred because DPBH management did not sufficiently review the statewide plan to ensure its completeness and compliance with statutes. Furthermore, there are no policies and procedures related to the development and oversight of the statewide plan.

Substance Use Grant Review Could Be Improved

DPBH was not notified of and did not review many substance use grant applications in Nevada as required by statutes. To determine whether DPBH reviewed grants, we identified 31 high-dollar grants in federal fiscal years 2022 and 2023 from readily available public sources. Our testing found the following:

- DPBH was not notified by applicants of grant applications for 23 of 31 (74%) substance use related grants we identified and did not review these 23 grant applications.
- DPBH reported it reviewed all eight grant applications of which DPBH had knowledge. All eight grants were awarded to either the Department of Human Services or DPBH.

Exhibit 11 shows the entity types and the number of substance use grant applications of which DPBH reported it did not receive notification.

Entity Types Not Reporting Grant Applications to DPBH Exhibit 11 Federal Fiscal Years 2022 and 2023

Entity Type Not Reporting Substance Use Grant Application to DPBH	Entity Count	Number of Grants Not Reported to DPBH
City Governments	2	5
County Governments	2	5
Tribes	3	3
State Entities	2	4
Health Districts	1	2
Private Entities	4	4
Totals	14	23

Source: Auditor analysis of survey results from DPBH.

It is possible these entities were not aware of this statutory requirement, which would give DPBH an opportunity for training and additional engagement. DPBH management stated they do not review all grants before they are submitted due to the vast number of federal, state, and private grants applied for in Nevada. DPBH management stated they are coordinating every grant for which they are notified, but DPBH does not get notified of every federal substance use grant.

DPBH did not have policies and procedures for identifying and reviewing statewide grants. Without established policies and procedures, there is a greater risk grant applications will not be identified and reviewed.

Recommendations

- DPBH 14. Create policies and procedures for the comprehensive state plan for programs for alcohol or other substance use disorders to ensure a single

consolidated plan is periodically updated, reviewed, and compliant with statutory requirements.

- DPBH 15. Develop policies and procedures to identify and review grant applications, as defined in statutes, and advise applicants regarding these applications.
- DPBH 16. Educate entities applying for grants concerning alcohol or other substance use disorders regarding legal reporting requirements.

The Attorney General's Office Settlement Cost and Contract Oversight Can Be Strengthened

The Attorney General's Office (AGO) allocations of settlement funds to the State and local governments were accurate; however, AGO can improve its oversight of opioid litigation costs and contractual amendments. AGO did not identify excess interest charges to the State and some inaccuracies in interest calculations. After we notified AGO regarding these errors, AGO worked with the law firm to correct the interest charges. Additionally, invoiced costs were approved for reimbursement even though some costs were unallowable or invoices were incomplete. Finally, when the contingent fee contract was amended, AGO did not post two amendments online timely, including one with a significant monetary impact. Proper oversight and review of costs help ensure AGO is appropriately and effectively overseeing litigation expenses.

Settlement Allocation and Transaction Processing Accurate

We tested AGO's calculations for recoveries and contingent fee payments for 10 settlements totaling over \$165 million and found these were accurate. We also tested AGO's calculations to split three settlement distributions among the State and local governments and found they were accurate. Finally, we assessed 25 opioid settlement transactions including payments to the State, local governments, and the law firm representing the State. AGO accurately processed opioid settlement transactions and maintained proper supporting documentation for the transactions. Accurate calculations and processing of settlement funding ensure the State, local governments, and the law firm representing the State receive appropriate funds based on contractual requirements.

Overview of Opioid Interest Costs

The law firm representing the State is contractually responsible to initially pay the costs and cannot receive reimbursement for costs from AGO unless the State obtains money as a result of the litigation. The law firm selected to represent Nevada had lines of credit from which it drew funds on a regular basis to pay for costs.

AGO agreed to reimburse interest on costs the law firm paid using the lines of credit. The terms of the lines of credit defined an interest rate charged on outstanding debt as the greater of either a floor interest rate or a nationally benchmarked interest rate plus an additional percentage. Between May 2019 and May 2024, the interest rates charged to the State varied between 3.95% and 9.25%.

Interest Costs Overbilled by the Law Firm

During its review of legal invoices, AGO did not identify errors in the calculations for interest accrued on costs, resulting in excess interest charged to the State. After we notified AGO of this issue, AGO worked with the law firm to correct this error and implemented new policies and procedures over the review of interest charges. Additionally, the process used by the law firm to compute interest did not calculate actual interest because it did not account for most variable interest rate changes that occurred. Because interest charges could not be specifically traced to loan statements from the bank, AGO assessed interest calculations by reviewing the information provided by the law firm. AGO can improve its policies and procedures to support improved review of interest costs. Accurate payment of costs ensures the State is properly reimbursing the law firm while also maximizing recoveries dedicated to the opioid epidemic response.

Excess Interest Charges

AGO did not identify errors in the billing of interest charges on costs, and the State was charged more than \$2.4 million in excess interest. For interest accrued from June 2019 to December 2023, AGO received ledgers from the law firm documenting \$3.7 million in interest. These ledgers were supposed to document only the interest charged during a single quarter, but instead interest charges were reported as an accumulated amount for the current quarter and previous quarters combined.

We reported this issue to AGO in May 2024. During our analysis of interest costs, AGO had not yet paid all calculated interest charged by the law firm. We confirmed AGO had paid at least \$1.6 million in calculated interest to the law firm toward the billed amount. All billed calculated interest was not paid by AGO because they were waiting for future settlement funding to pay remaining calculated interest. AGO worked with the law firm to correct the error by reducing the interest charges to \$1.3 million and removing the excess interest from the ledger.

This occurred because AGO staff did not sufficiently review ledgers and interest worksheets prepared by the law firm to ensure the accuracy of calculated interest. Additionally, to verify interest costs, AGO relied on the calculations of interest tracking worksheets provided by the law firm instead of verifying the amount of calculated interest actually charged by the bank and paid by the law firm. Because the contract did not require a separate line of credit for opioid litigation, AGO implemented a review process utilizing ledgers and worksheets provided by the law firm. However, AGO had inadequate policies and procedures governing review of costs including interest. Although interest charges were significant, the contingent fee contract and AGO procedures did not define specific guidelines, limitations, or restrictions for calculated interest, including required supporting documentation, and review processes.

In April 2025, AGO reported it updated certain policies and procedures related to oversight of contingent fee contracts and associated costs. Additionally, the law firm instituted a new system for calculating interest after we finished our analysis. In June 2025, AGO reported it had completed its own analysis of the newly adopted system implemented by the law firm and identified a discrepancy of about \$60,000 in interest for which AGO reported the State will be reimbursed.

Inadequate Calculation and Support for Interest Charges

AGO can improve its oversight of interest calculations and supporting documentation. Interest charged on individual costs did not take into account variable rate changes and could not be directly verified using bank documentation. Of 25 interest charges

we assessed, 23 (92%) were not calculated correctly at the actual value because they did not account for variable interest rate changes that occurred while the debt was accruing interest. Instead, only the initial interest rate was used and carried forward. Some charges were lower than the actual interest charges while others were higher than the actual interest charges depending on interest rate changes during the period of time the debt was active.

Three of five interest worksheets provided by the law firm had errors in the calculation of interest, including utilizing an incorrect number of days per year compared to loan terms to calculate the daily interest rate. Monetary differences due to these identified concerns were not significant compared to overall interest charges, but correction of these issues would support an accurate representation of actual costs. We also compared interest charges from the five worksheets to bank documentation to obtain evidence of interest costs. We were unable to trace the interest charges to bank loan statements because the lines of credit were used for more than just the State's opioid litigation, and the statements only reported the overall debt and interest. AGO also stated it has developed and implemented policies and procedures to improve oversight of interest costs.

Since the bank calculates and assesses the interest, bank loan statements are the most reliable source of evidence for the interest costs. AGO primarily relied on records provided by the law firm to assess the accuracy and existence of interest costs. If the lines of credit had been specific to just opioid litigation debt, AGO could have reviewed actual interest charged by the bank and more readily identified excessive interest charged to the State. Internal control standards require management to evaluate data to ensure it is sufficiently reliable and accurate. Financial records should reflect actual costs to ensure the State is not overpaying or underpaying the law firm for costs incurred.

Recommendations

- AGO 1. For the contingent fee contracting process, develop policies and procedures for interest charges to ensure and document reimbursement of actual interest incurred related to state litigation costs.
- AGO 2. Complete a formal documented fiscal assessment of the new interest calculation system utilized by the law firm to ensure it accurately calculates actual interest.

Review of Costs Can be Enhanced

AGO did not ensure certain invoices were complete with required supporting documentation. AGO also approved some unallowable costs for reimbursement and did not have documentation certain significant rate increases on invoices were critically assessed. Proper review and maintenance of complete invoices help ensure AGO is appropriately and effectively overseeing costs. AGO could improve the invoicing process by instituting formal documented policies and procedures to support staff in their cost review.

AGO Process for Cost Review

If the State receives money from the opioid litigation, AGO must reimburse the law firm for all reasonable and essential costs the firm paid subject to the contract, policy, and laws. Costs included the law firm's reimbursement to various vendors for products and services provided in support of the opioid litigation. The law firm cannot receive reimbursement for costs from the State unless a monetary recovery is obtained. By contract, certain costs were excluded from state reimbursement to the law firm including, but not limited to:

- expenses for a legal research database;
- costs or penalties relating to court sanctions or fines incurred by the law firm when in violation of court orders or law;
- costs in violation of applicable requirements of the Nevada State Administrative Manual; and
- costs for services or work performed or expenses incurred before the effective date of the contract.

The law firm provided AGO with access to summary ledgers and the supporting invoices for costs charged to the State. AGO established a process by which staff reviewed the costs to verify the billing statements had supporting invoices, the invoice amounts were accurately reflected in the billing statements, and all numbers reconciled. Reimbursement was based on AGO approval and the availability of recovered funds. Additionally, AGO had an attorney review the invoices for legal accuracy and appropriateness.

Review of Invoices and Supporting Documentation Could Be Improved

AGO did not identify unallowable costs on some invoices charged to the State. We reviewed 40 invoices representing over \$2.4 million in costs and identified the following concerns:

- Two invoices from vendors of the law firm included charges for first-class air travel. Based on comparing more cost-effective travel options for one of these invoices, we estimate over \$3,300 could have been saved. For the other invoice, supporting documentation was insufficient to calculate savings.
- Another invoice lacked adequate supporting documentation for almost \$11,000 in travel expenses.

Although we found evidence AGO staff conducted reviews of invoices and made corrections to certain travel invoices, there was no documented evidence AGO identified the concerns noted above during their review of these invoices. After bringing these errors to AGO staff's attention, the law firm voluntarily refunded over \$79,000 of travel costs incurred, including allowable travel expenses, and the law firm implemented a new process to only pay travel costs that comply with established requirements.

Certain Costs Showed Significant Rate Increases

AGO did not have documentation significant rate increases on invoices for some costs were critically assessed. A vendor involved in oversight of document review contractors increased a rate by 100%. Document reviewers examined and processed legal documentary evidence including substantial court ordered

requests. This rate increase did not occur gradually but was applied in May 2020 and continued to November 2020, after a lower rate was charged from February 2020 to April 2020. Additionally, in what the vendor described as an error, the rate was decreased to the original lower rate in the same invoice in December 2020. The law firm stated the increased rate was due to the demand for document reviewers.

In addition, we observed two invoices had charges for black and white copies that were \$0.89 per copy, 5.9 times the rate found in best practices defined in state policy. To further analyze the copy cost rates, we reviewed 186 invoices, totaling over \$335,000, charged to the law firm for black and white copy costs from the same vendor from June 2019 to June 2023. We identified the following from the analysis:

- Over a 4-month period, the price for black and white copies varied from \$0.25 to \$0.89 per copy. There was a 256% increase in copy cost rates during this period.
- Of 186 invoices, 165 (88%) were charged at a rate more than double the best practice rate established in state policy.

AGO stated for the contingent fee contract costs it is not subject to copy cost limitations established in state policy. However, we referenced these rates in our analysis because they provided some guidance in the absence of AGO policies regarding this matter. AGO and the law firm stated the increased costs for the copies were justified because of court orders, limited timeframes to produce copies, the higher quality of the vendor's work, and to avoid court sanctions for inadequate processing of documentation. We verified the increased rates were not due to the vendor charging for more complex or expensive services per review of available documentation. However, we noted there was lack of adequate documented policy governing invoice oversight. Significant rate increases, if not carefully identified, reviewed, and controlled can decrease settlement funding available to the opioid epidemic response.

Some Invoices Incomplete

Although there was documentation evidencing the work performed or expenses incurred, certain invoices had insufficient information to support appropriate evaluation. We assessed the completeness of 40 invoices, totaling over \$2.4 million in costs and identified the following concerns:

- Twelve of 40 (30%) invoices lacked important information to support adequate review of the costs, such as information defining payment terms, hours, or rates.
- Four of 40 (10%) invoices lacked due dates and/or defined terms.
- Eight of 40 (20%) invoices did not supply enough information like hours or rates to help assess the reasonableness of the charges on the invoices. The total cost of these eight invoices was over \$780,000.
- Two of 40 (5%) invoices had insufficient information to verify charges, including one invoice with an administrative and expense fee over \$65,000.

This occurred because AGO did not have formal documented policies and procedures specific to contingent fee contracts. While guidelines were shared via emailed directives to staff involved in cost review, these directives did not have sufficient instructions on how to properly oversee the assessment of costs. Instructions lacked sufficient procedures and requirements to verify the accuracy, completeness, and reasonableness of invoices and charges when compared to contractual and state policy requirements.

Recommendations

- AGO 3. Develop policies and procedures for reviewing costs to ensure invoices are complete and accurate and invoiced costs comply with statutory and contractual requirements, and state best practices.
- AGO 4. Develop policies and procedures for contingent fee contracts that establish processes to assess cost

rates and the reasonableness and appropriateness of rate increases.

Contract Oversight Practices Can Be Improved

AGO can improve its oversight of opioid contingent fee contracting by ensuring amendments to the contract are timely shared with the public, and there are documented assessments to verify the amendments are in the best interest of the State. Improved contract practices will support transparency and assist in documenting AGO's efforts to support cost effective practices to benefit Nevadans.

Opioid Litigation Contract Amendments Not Publicly Posted

AGO did not ensure the most up-to-date version of the opioid contingent fee contract, including all amendments, was publicly posted from August 2021 to August 2024. Two of four amendments to the original contract were not posted on the website during this period. After we notified AGO, the amendments were promptly publicly posted.

From August 2021 to August 2024, the public did not have access on the website to the complete contingent fee contract with important amendments. The amendments not posted during this time included a third amendment, executed in August 2021, which allowed for state reimbursement of certain costs for a document repository, review, and a predictive coding database. The third amendment increased cost reimbursements to the law firm by over \$20 million.

Contract Amendment Analysis Could Be Improved

AGO processes could be enhanced by ensuring significant changes to contract terms are subjected to a documented analysis of estimated costs. The third contingent fee contract amendment included significant cost implications and certain changes were applied retroactively. While AGO indicated this amendment was necessary to proceed with the successful litigation, following certain state best practices could enhance transparency and accountability. We analyzed the fiscal impact of the third amendment and noted the following:

- AGO did not prepare a formal documented analysis of estimated costs prior to this amendment to document its rationale for the amendment.
- The amendment or other public documentation did not outline or describe the justification and offsetting benefit to the State and local governments for covering the costs that were previously prohibited in the contract.
- The amendment did not state the provision could be applied retroactively. However, AGO applied this contract amendment retroactively prior to its effective date. This resulted in reimbursement of over \$11 million of the \$20 million in costs incurred before the effective date of the amendment.

AGO stated the third amendment was critical because of unexpected and significant court ordered information requests from the defendants that required a more robust system to capture and store the State's data. Additionally, AGO reported the database in existence at the commencement of the litigation became inadequate and unavailable. AGO also stated without the amendment, the success of the litigation and its substantial recoveries would have been put in jeopardy. While these explanations help describe why the additional costs were necessary, AGO could have formally documented its assessment for the amendment.

In the absence of formal review from an independent body like the Board of Examiners (BOE), a documented cost analysis would be critical in affirming amendments are in the best interests of the State. Another best practice found in state policy is that there should be supporting documentation for a retroactive contract explaining why the proposed contract should be approved. This documentation can be available to the public, demonstrating efforts to negotiate best value for the State.

AGO reported that many other states did not anticipate the need for a document repository, review, and a predictive coding database and later recognized the need for such services. AGO staff also stated that the use of the document repository, reviewers, and predictive coding databases were recognized as

approved expenses in state cost funds set up through many of the national settlements. National settlements included separate cost funds to which states could apply to reimburse certain costs. AGO applied for these funds and received over \$7.5 million, which helped the State cover costs that would have otherwise reduced Fund for a Resilient Nevada monies.

Assessing Contract Amendments for Value

As a best practice, the State has established important processes to support effective contracting with the ultimate goal of securing the best value for supplies, materials, equipment, and services. BOE reviews many state contracts and amendments for appropriateness and cost effectiveness. Amendments must include language that clearly identifies the change or revision, including as applicable, the amount of monetary increase, new maximum amount, and the change in effective date. An effective documented analysis of the costs associated with a contract amendment reveals if an amendment will nullify or reverse best value negotiated and recorded in the original contract.

State law exempts contingent fee contracts from BOE review and does not outline a required process for additional review outside AGO for the contract and amendments. However, AGO did not have formal documented policies and procedures specific to the contingent fee contracting process, including oversight of amendments to the contract. Because the contingent fee contracts are not reviewed by BOE, which has a system to review documentation and costs regarding contracts and amendments, AGO would benefit from such policies and procedures.

Recommendations

- AGO 5. Develop policies and procedures to ensure contingent fee contract amendments are posted to the agency's website timely and are in the best interest of the State based on a formal analysis available to the public upon request.

The Department of Human Services Needs to Increase Monitoring Over Entities Spending Fund for a Resilient Nevada Litigation Settlement Funds

The Department of Human Services (DHS) can improve its monitoring of entities receiving opioid litigation settlement funding and its review of annual program reporting. Specifically, DHS can improve the quality of certain Fund for a Resilient Nevada (FRN) agreements to ensure fund recipients receive adequate oversight and provide sufficient reporting. In addition, DHS did not conduct required site visits for some funding recipients. Insufficient oversight increases the risk funding will not be used effectively or in alignment with program goals. Finally, a public report submitted to state leadership contained errors in FRN expenditures supporting opioid epidemic mitigation efforts.

Entities Receiving Fund for a Resilient Nevada Monies Need Further Oversight

DHS can improve its oversight of entities receiving FRN opioid litigation recoveries. Certain state entities under Memorandum of Understanding (MOU) agreements with DHS did not have detailed scopes of work with deliverables to support sufficient oversight. In addition, other state agencies did not complete required grant activities and reporting. DHS did not complete required site visits for many entities receiving funding. Improved oversight of entities supports DHS in sufficiently holding funding recipients accountable for effective use of opioid settlement funds.

Oversight of State Entities Can Be Improved

Of 10 entities we assessed, 2 of 4 state agencies had MOUs in lieu of grant awards, and these agreements required less

oversight compared to subgrantees receiving program funds. These MOUs provided funding to support opioid overdose mapping and the development of a claims database that can be used for opioid prescription analysis. DHS did not ensure the MOUs with state agencies had detailed scopes of work and deliverables with adequate objectives, activities, due dates, and the documentation needed to demonstrate program fulfillment. In addition, DHS did not ensure sufficient supporting documentation was produced to measure progress and evidence effective use of funding.

DHS could have also improved its oversight of two state entities that received FRN grants. These two state agencies did not submit certain required progress reports. In addition, one of these state grant recipients had the following deficiencies:

- The recipient did not submit final grant reporting to evidence objectives met after the grant closed.
- The recipient missed 5 of 12 (41%) provider phone calls with DHS to review progress and oversight.
- The recipient did not meet a deliverable outlined in the scope of work related to reporting the use of drug detection units it distributed. This data would have been used to identify opioid-related trends and support public safety as defined in the scope of work.

DHS policies provide oversight requirements for grantees, but do not specifically include non-grant agreements as requiring the same oversight. DHS management stated monitoring requirements relating to MOUs were not clearly defined and that moving forward, all entities receiving funding will be held to the same monitoring standards. When DHS does not ensure it receives required grant reporting, it is not obtaining important information that helps confirm agencies are effectively using opioid settlement funds. DHS is currently working on executing a grant agreement for the drug detection unit program with a different state agency.

FRN Fund Recipient Site Visits Not Completed

DHS did not conduct annual site visits for 4 of 6 (66%) grant recipients with completed grant periods in our sample. The annual visit involves DHS staff going on-site at a provider's facility to determine adherence to state internal controls, assessing the provider's oversight of the funded program, and evaluating the appropriateness of the services provided in comparison to the service categories approved in the FRN's statewide plan. The purpose of the site visits is to enhance services and strengthen the overall compliance of entities receiving opioid settlement funds.

DHS conducted site visits for 2 of 6 recipients in our sample, but these were over 100 days late. DHS completed optional fiscal desk reviews for the six recipients in our sample within a year of the date entities received funding. However, a desk review focuses on fiscal oversight of the program, is completed off-site, and lacks a comprehensive assessment of programmatic compliance.

DHS management stated they were short-staffed and needed to prioritize funding awards, which impacted their ability to complete site visits during that time period. Due to an increase of new projects funded by DHS, management stated they are considering a risk-based approach for future site visits.

FRN Awards Complied With State Plan Requirements

We reviewed 51 FRN funded awards and found the award objectives complied with state plan and settlement requirements. We also conducted on-site assessments of 10 entities receiving opioid settlement funds and concluded the facilities existed, met funding goals and objectives, had required policies and procedures, and maintained documentation supporting grant expenditures. The following pictures are examples of provider facilities and resources being funded through opioid settlement funds and other opioid-related grants we observed in facilities in Carson City, Las Vegas, Pahrump, and Reno.



Harm reduction vending machine with free syringe kits and fentanyl testing kits.



Complimentary hygiene products for clients with substance use disorder.



A handheld spectrometer designed to detect substances like fentanyl on surfaces.



Harm reduction supplies available to the public.



A naloxone distribution box in a public area in a facility auditors assessed.



A naloxone safety kit with naloxone, fentanyl test strips, and educational material.



A mobile clinic designed to treat patients with opioid use disorder or substance use disorder in rural and frontier areas.

Additional Review Needed to Support Reporting Accuracy

DHS annual reports on FRN opioid settlement funds to state leadership for 2023 and 2024 included errors in reported expenditures supporting opioid epidemic response mitigation efforts. For the 2023 report, certain reported expenditures were over \$94,000 higher than the actual amount spent of over \$844,000. For the 2024 report, the reported expenditures were over \$2.9 million lower than the actual amount spent of over \$3.8 million. Apart from these inaccurately reported values, we did not identify any issues with the underlying accounting of FRN monies. We assessed FRN fiscal transaction records for fiscal year 2023 to fiscal year 2024 and found the records reconciled with state accounting system records. Considering that hundreds of millions of dollars will be moved through FRN to serve the public, the accuracy of reporting is critical.

The public and state leadership did not have access to accurate data regarding expenditures in two annual reports. Since these reports could be used to assess performance and characterize financial expenditures and reserves, the public and government leadership did not have accurate information to assist in fulfilling these functions. DHS management stated the reporting errors occurred because they did not use the correct dates when downloading the data for the 2023 and 2024 annual reports. Additionally, they did not adequately review the FRN financial data for accuracy prior to the report being published.

Recommendations

- DHS 1. Improve policies and processes and adhere to existing internal controls to ensure all entities receiving FRN monies are subject to contracts or agreements that clearly define important oversight activities and deliverables.
- DHS 2. Implement controls to ensure site visits of recipients receiving opioid settlement funds are completed according to policies.
- DHS 3. Review annual reporting regarding opioid settlement funds to ensure financial information is accurate.

Appendix A

Audit Methodology

To gain an understanding of the opioid epidemic response activities of the Division of Public and Behavioral Health (DPBH), the Attorney General's Office (AGO), and the Department of Human Services (DHS), we interviewed staff and reviewed contracts, policies and procedures, statutes, and regulations. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing the activities of these entities relating to the opioid epidemic response. In addition, we documented and evaluated the following for each entity.

- For DPBH, we evaluated oversight of federal substance use-related grants and entity monitoring. We assessed DPBH controls over the certification process for substance use providers, including provider information and oversight of the inspections and corrective action process. Furthermore, we evaluated controls related to its oversight of care plans for infants affected by substance abuse. We obtained DPBH statewide planning documentation and reviewed it for compliance with statutes. We also surveyed DPBH to identify the extent of their review of substance-use related grants in Nevada.
- For AGO, we assessed controls relating to oversight of costs supporting the opioid epidemic related litigation, including interest and documentation related to these costs. Additionally, we assessed the accuracy of settlement allocations to entities in Nevada. We also assessed AGO contingent fee contracting practices.
- For DHS' Fund for a Resilient Nevada (FRN), we assessed controls relating to oversight of the distribution of opioid litigation settlement funding. We also completed on-site assessments of providers that received opioid settlement

funding. Finally, we assessed the controls over the accuracy of FRN reporting.

Our audit included a review of the internal controls developed by DPBH, AGO, and DHS significant to our audit objective. Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objective of the entity. The scope of our work on controls related to opioid epidemic response activities of DPBH, AGO and DHS included the following:

DPBH

- Exercise oversight responsibility; establish structure, responsibility, and authority (Control Environment);
- Perform monitoring activities (Monitoring);
- Implement control activities through policy (Control Activities);
- Communicate externally (Information and Communication);

AGO

- Exercise oversight responsibility (Control Environment);
- Use quality information (Information and Communication);

DHS

- Perform monitoring activities (Monitoring).

Deficiencies and related recommendations to strengthen DPBH, AGO, and DHS internal control systems are discussed in the body of this report. The design, implementation, and ongoing compliance with internal controls is the responsibility of DPBH, AGO, and DHS management.

DPBH Oversight of Substance Use Grants

To determine the population of entities DPBH or an authorized vendor awarded federal grant funds, we obtained budgets and downloaded information from the state accounting system from September 30, 2020, to September 30, 2024. Using this

information, we calculated total grant funding and expenditures. We also produced a list of 49 entities that either recently received or expended high values of Substance Use Prevention, Treatment, and Recovery Services Block Grant (SUBG) or State Opioid Response (SOR) grant funding.

To assess the timeliness of the contract execution process used by DPBH, we judgmentally selected 16 of the 49 entities which had received SUBG or SOR grant funds. Our judgmental selection was based on obtaining samples with the highest monetary values while also including diverse entities. In cases where there was more than one contract or subaward for an entity, the contract or subaward of the highest monetary value was selected to assess, aside from one entity, from which we selected two contracts for assessment. Thus, our sample included a total of 17 contracts. To test the contracts and subawards for timeliness, we calculated the number of days it took to execute contracts and subawards.

For each contract, we obtained and tested grant oversight documentation for compliance with state and federal requirements and relevance to substance use prevention, treatment, and recovery. We also assessed if entities submitted required grant reporting. Aside from one sample with only one invoice, we assessed two requests for reimbursement or invoices from each contract and tested them for accuracy, allowability, and appropriateness.

To assess the completeness, quality, and timeliness of site visits for entities that were awarded grant funding from September 30, 2020, to September 30, 2024, we obtained provider lists for entities receiving funding initially awarded to DPBH, which included 80 entities eligible to be monitored. For this population, we identified if subrecipients were being tracked on monitoring records. Next, we determined if risk was assessed for each subrecipient. We assessed for the timeliness of subrecipient monitoring. If any site visits lacked evidence of being completed, we verified with DPBH staff that the site visits in question had not occurred.

To assess the completeness of site visit documentation, we identified a total population of 85 site visits which DPBH or its vendor had record of completing from December 2020 to July 2024. We judgmentally selected a total of 20 of the 85 site visits based on including high-value grants from SOR and SUBG. We reviewed the site visit documentation to determine if all major sections were completed. We also reviewed documentation to determine if known deficiencies discovered had been resolved. If any documentation was missing, we verified with DPBH staff that the missing documents could not be provided or did not exist.

DPBH Substance Use Provider Certification

To evaluate DPBH oversight of certified substance use treatment providers, we obtained a population of certified providers for October 2021 to September 2023 from DPBH and from a vendor DPBH selected to support the provider certification process. To assess the reliability of the DPBH list, which contained 72 providers, we compared it to the vendor's list of 126 providers, which was more complete than DPBH's list.

Using the vendor's list of certified providers, we selected a judgmental sample of 30 providers from diverse locations throughout Nevada with certification time periods that indicated a higher likelihood of noncompliance. To assess the accuracy of published certified provider information for this sample, we interviewed DPBH and provider staff and reviewed provider information published on a website funded through DPBH and maintained by the vendor. We also assessed this sample of providers for inspection timeliness.

To assess the corrective action process for certified providers identified as noncompliant during inspections, we identified 21 of 30 providers sampled in the previous analysis with noncompliance related to patient care. We assessed inspection documents to identify the category, prevalence, and duration of noncompliance. We also interviewed staff and reviewed documentation from DPBH and the vendor supporting provider certification to identify interventions completed to support the corrective action process.

DPBH Oversight of Care Plans for Infants Affected by Substance Abuse

To review infant care plans for completeness and DPBH follow up, we obtained a list of 4,207 plans created from March 2021 to August 2024. We verified the reliability of plan records by vouching and tracing records between the population list and the database used to house the plans. We selected a judgmental sample of 20 infant care plans based on identifying infants affected by opioid use disorder and obtaining a variety of facilities in diverse areas in the State. We obtained the plans and assessed if the plans were completed appropriately with evidence referrals were documented. We interviewed DPBH staff and assessed the infant care plans for evidence of DPBH monitoring of the implementation of each plan.

DPBH Statewide Oversight

To assess the comprehensive statewide plan for programs of alcohol or other substance use disorders, we requested the most recent plan from DPBH. DPBH provided 13 documents including various plans, a needs assessment, and other documents in response to our request. We assessed all documents for completeness and compliance with statutory requirements. We also interviewed DPBH management to determine their review and oversight of the planning process.

To determine the extent DPBH was notified by applicants and reviewed statewide substance use grants, we interviewed DPBH management. Additionally, we surveyed DPBH using an auditor-generated list from public federal resources of 31 higher value federal substance use grants received in Nevada from October 1, 2021, to September 30, 2023. In response to the survey, DPBH indicated if it was notified about the grant prior to submission and if it reviewed the grant application.

AGO Oversight of Opioid Litigation and Settlements

To assess the accuracy of AGO review of interest charged on costs, we obtained interest worksheets, loan statements, cost ledgers, and line of credit terms from June 2019 to December 2023. We assessed overall calculations of interest by reviewing interest charges documented in cost ledgers and interest

worksheets prepared by the law firm. We judgmentally selected 5 of 20 interest worksheets based on duration of incurred interest and proximity to AGO payment of costs. To test for the existence of interest charges, we attempted to trace interest charges to loan statements. To further assess the accuracy of interest calculations, we tested the formulas used to calculate interest. To assess the total cost of interest, we examined interest ledgers to determine if interest costs were not duplicative. We interviewed staff regarding their process for oversight of interest charges and reviewed supporting documentation.

To assess the calculation of individual interest charges and interest rates, we judgmentally selected 25 of 3,868 interest charges from the previously sampled 5 interest worksheets. Our judgmental selection was based on selecting higher monetary values at different rates of interest. To test the accuracy of interest charges, we determined if appropriate rates and rate changes were applied timely while interest was being accrued. We also determined if the daily interest rate was calculated correctly according to the terms of the lines of credit. Next, we recalculated the amount of interest for each of the sampled charges and compared it to the amount of interest charged.

To assess the accuracy, completeness, and reasonableness of invoices, we judgmentally and randomly selected 40 of 280 invoices of high monetary value from calendar year 2023. To test the completeness of invoices, we reviewed if supporting documentation, terms, and rates were present as required by state policies. We also reviewed invoices to determine the allowability and reasonableness of costs and if there was evidence of AGO review. Additionally, we judgmentally selected 186 invoices with black and white copy costs from June 2019 to June 2023. We calculated the percentage of invoices charged at a rate more than double the rate for copies found in the State Administrative Manual. We documented the changes in the copy cost rates over time. We also assessed for increased or inconsistent rates for certain document review charges. We interviewed AGO staff to better understand their process for invoice review.

We identified a population of 98 settlement monetary distributions including actual and anticipated payments from 2021 to 2043. We judgmentally selected 10 samples based on obtaining past and future distributions, diverse entity types, settlements including cost and fee deductions, and higher recovery amounts. In our analysis, we tested the accuracy of the calculation of the initial recoveries, costs, fees, and the ultimate net allocation used to distribute funds to the State of Nevada and local governments.

Of the 10 samples assessed for calculation of the initial allocations, we selected 3 of these settlement values for further assessment of the final allocation to the State and local governments. This selection was a judgmental selection based on high monetary value, diverse cost and fee attributes, and selecting a future payment. We assessed AGO allocation calculations for accuracy and compliance with contractual requirements.

Using the state accounting system, auditors generated a list of 453 opioid settlement-related transactions from the beginning of funding receipt in May 2021 to March 2024. We judgmentally selected a sample of 25 transactions based on higher value and diverse types, sources, and payees. We determined if there was appropriate supporting documentation for the sampled transactions and if AGO's transaction records were accurate and reliable.

To assess the appropriateness of contract practices, we assessed the contingent fee contract and its four amendments for compliance with statutory and policy requirements. Due to its monetary impact, we further assessed the third amendment to verify if AGO followed state best practices for contracting. We discussed the benefits and costs of the third amendment with AGO staff and obtained supporting documentation.

DHS Fund for a Resilient Nevada

To assess DHS oversight of entities receiving opioid settlement funding, we obtained a population of 51 programs awarded FRN funding from March 2023 to July 2024. We obtained funding documentation for all of these programs and verified if funded initiatives complied with statutory, state plan, and settlement

requirements. We also calculated the amount of funding awarded and expended toward each state plan target.

We then identified the population of 12 entities and recipients which DHS oversaw for at least 9 months or longer with funding contracts closed out by June 2024. We added one entity with the highest value award that had not yet closed out at the time of our analysis. From this population of 13 funded contracts, we selected a judgmental sample of 10 entities to ensure we assessed diverse entities, geographical locations, and facility types. We assessed the sample for the timeliness and sufficiency of DHS oversight. In addition, we completed on-site assessments of the sample of 10 entities to confirm the existence of the facilities and funded resources and to review evidence entities were meeting funding goals and objectives.

To verify the accuracy of the reported DHS expenditures supporting the state plan, we obtained the DHS annual reports required by NRS 433.734 for 2023 and 2024. We also obtained and reviewed DHS documentation supporting the calculations for these reports. We compared the expenditures in the annual reports against state accounting system records for the same timeframes. For values not matching between DHS and state accounting system reporting, we interviewed DHS staff and reviewed additional documentation so we could identify the appropriate values.

Sampling and Audit Work

We used nonstatistical audit sampling for our audit work, which was the most appropriate and cost-effective method for concluding on our audit objective. Based on our professional judgement, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provided sufficient, appropriate audit evidence to support the conclusions in our report. We did not project exceptions to the population because our samples were judgmentally selected or were not designed to be representative of the population.

Our audit work was conducted from May 2023 to July 2025. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to DPBH, AGO, and DHS. We met with agency officials to discuss the results of the audit and requested a written response to the preliminary reports on the following dates: DPBH on March 23, 2026; AGO on March 23, 2026; and DHS on March 24, 2026. These responses are contained in Appendices B to D, which begins on page 57.

Contributors to this report included:

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Appendix B

Response From the Division of Public and Behavioral Health

Joe Lombardo
Governor



Laura Rich
Director

DEPARTMENT OF HUMAN SERVICES



NEVADA DIVISION of PUBLIC
and BEHAVIORAL HEALTH



Andrea R. Rivers,
MS
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Ph.D., M.D.
Chief Medical
Officer

March 30, 2026

Daniel Crossman, Legislative Auditor
Nevada Legislative Counsel Bureau, Audit Division
401 S. Carson St., Carson City, NV 89701-4747

Dear Mr. Crossman,

Thank you for the opportunity to meet with us on March 23, 2026 to complete the Audit Exit Conference. We value the information received and greatly appreciate the work of yourself and your team to improve our policies and procedures.

As instructed, we have enclosed the Division of Public and Behavioral Health's (DPBH) response to the *"Performance Audit, Response to the Opioid Epidemic: Funds and Activities, Division of Public and Behavioral Health, Attorney General's Office, Department of Human Services (LA26-10)"*

DPBH has accepted and started remediating all 16 recommendations outlined in your report.

Since 2021, the amount of grant funding received from the Bureau of Behavioral Health Wellness and Prevention has ballooned as more funding became available and Nevadans expressed more behavioral health needs. However, staffing capacity has not grown at the same rate.

Acknowledging that the work of grants management takes very specific expertise and training, the Bureau has struggled to fulfill all responsibilities with its current number of staff, most specifically the responsibilities handled under the State Opioid Response grant. Expanding staffing capacity by using federal grant dollars is a cost-effective way for DPBH to meet its statutory requirements.

With the creation of the Nevada Health Authority, effective July 1, 2025, we plan to have additional conversations and collaboration with our sister agencies at the Division of Child and Family Services (DCFS) and the Nevada Health Authority (NVHA) to understand where the authority lies for CARA Plans of Care as outlined in recommendations 11-13. The governing authority for CARA Plans of Care as outlined in NAC 449.939-449.948 now lies under the jurisdiction of the NVHA.

Sincerely,

Andrea R. Rivers, Administrator
Division of Public and Behavioral Health

Bureau of Behavioral Health Wellness and Prevention

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RECOMMENDATION 1

Train staff regarding invoice review, required reporting and subaward oversight to strengthen checks for quality and completeness

Response

DPBH agrees with this recommendation. Staff have been trained in approving Requests for Reimbursements (RFRs) and site monitors.

DPBH has plans to provide additional training to staff to ensure appropriate technical assistance is provided and has formed a workgroup to develop this training. Quality assurance staff are reviewing retention folders on a bimonthly basis to ensure completeness of records.

RECOMMENDATION 2

Implement policy to document risk assessments and assign proper monitoring timelines for all subrecipients and ensure management performs regular reviews of the subrecipient monitoring schedule to ensure it includes all required entities.

Response

DPBH recognizes the need to document how risk assessments are assigned to subrecipients and to document how regular reviews of the monitoring schedule take place. Currently, a project management system called Smartsheets is used to track these various components; therefore, the Division intends to implement a policy to document how Smartsheets captures the regular reviews in a timely manner.

RECOMMENDATION 3

Complete site visits for entities receiving substance use related funding in accordance with policy, ensuring higher-risk entities are inspected during their subgrant periods.

Response

DPBH recognizes the need to complete site visits, especially for higher-risk entities.

Site monitor tracking has been implemented into Smartsheets. This system automatically assigns site monitors to be completed within certain timeframes, according to policy.

The Bureau of Behavioral Health Wellness and Prevention currently oversees about 80 substance use related subawards that need annual site monitors completed. The Bureau appropriately manages the large amount of staff time, training and travel time required to complete these site monitors with the need to regularly and appropriately complete site monitors.

RECOMMENDATION 4

Follow existing policies and procedures to ensure site visits document a comprehensive review of programmatic and fiscal activities

Response

DPBH recognizes and the need to follow all established policies and procedures and is expanding the training for site monitors to ensure it includes a comprehensive review of both programmatic and fiscal components of all funded activities. Quality assurance staff are regularly auditing subawards to ensure that all site visits include appropriate documentation.

RECOMMENDATION 5

Improve subrecipient monitoring program policy and procedures to ensure noncompliant subrecipients submit a plan of correction for all identified deficiencies, and there is a process to document deficiencies are corrected

Response

DPBH recognizes that all recommendations need to ensure there is proper follow-up and deficiencies are corrected. This will entail updates to trainings and policies to ensure staff are competent in ensuring all deficiencies are corrected and properly documented. This will occur during monthly technical assistance calls, or more formal follow-up site visits.

RECOMMENDATION 6

Maintain appropriate substance use grant contracting, monitoring and reporting documentation

Response

DPBH understands the importance of maintaining appropriate documentation to demonstrate the responsible use of state and federal dollars.

The Bureau's Quality Assurance Specialists are now completing a structured bi-monthly review of documents within the newly created "Retention" folders to ensure documents related to contracting, monitoring and reporting are properly maintained. A report is compiled and submitted to appropriate management within the Bureau for review.

RECOMMENDATION 7

Improve contracting policies and procedures to ensure timely disbursement of substance use grant funds

Response

DPBH has struggled to align subgranting execution timelines with the approval of grant authority for multiple federal grants. The complexities of obtaining the notice of award, receiving state authority via the Interim Finance Committee, and negotiating with subrecipients is challenging.

However, DPBH has implemented Smartsheets to track the average number of days it takes to execute an award. The Division has since been utilizing Smartsheets to track the average number of days it takes to execute an award, and the time has significantly improved from 111 days to 66 days from 2024 to 2025. The need to improve the contracting policies and procedures is acknowledged and will help strengthen accountability for staff and community partners.

Further, the implementation of the Revitalized & Optimized Contract System (ROCS) has allowed a more streamlined process flow for subawards to be created and followed through to execution. The ROCS system acts as a platform for subawardees to sign their subaward and view the document. The Contracts Unit Toolbox has also allowed for team members to access information on flowcharts of the process.

RECOMMENDATION 8

Modify existing procedures and training relating to the substance use disorder treatment provider certification information system to improve staff understanding of system operation and to ensure staff appropriately maintain certification information

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Bureau of Behavioral Health Wellness and Prevention

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Response

DPBH understands the importance of staff being trained in their roles and will continue to improve existing procedures and trainings. Specifically in this instance, a new system is currently being procured that will allow more ease and flexibility to use for both consumers and internal staff.

Staff have been deeply involved in this process to help create a system that will allow the Division to properly maintain certification information.

RECOMMENDATION 9

Establish policies and procedures to improve oversight of certified substance use disorder treatment provider website information to increase the accuracy of provider information available to the public

Response

DPBH will establish policies and procedures on how internal staff can ensure an accurate list of providers is always available to the public through an easily accessible website.

DPBH understands the need to ensure that more accurate provider information is given as this is a source that Nevadans utilize to access substance use treatment providers.

RECOMMENDATION 10

Develop policies and procedures related to inspections of substance use disorder treatment providers to identify and document all providers with inspection findings, prioritize severity of findings, and create a process to track correction of identified findings.

Response

DPBH acknowledges this need and will establish policies and procedures to better monitor certified agencies and to track their deficiencies and correction plans.

RECOMMENDATION 11

Implement a plan to support the transition of oversight responsibility of infant care plans to the Health Care Purchasing and Compliance Division.

Response

DPBH acknowledges the need to transition oversight responsibility for infant Plans of Care to the Health Care Purchasing and Compliance Division. DPBH has initiated this process by contacting Division leadership to request a discussion on next steps.

RECOMMENDATION 12

Communicate and share training materials and other relevant information with the Health Care Purchasing and Compliance Division to support its efforts to train hospital and medical facility staff to improve the completeness and quality of infant care plans.

Response

DPBH agrees the training of hospital and medical facility staff is critical to responding to the opioid epidemic as it relates to properly implementing CARA Plans of Care for families affected by the crisis. DPBH looks forward to sharing training materials and other relevant information with the Health Care Purchasing and Compliance Division to support its training efforts.

RECOMMENDATION 13

Communicate and share guidance and pertinent historical information with the Health Care Purchasing and Compliance Division that would support it in developing policies and procedures for oversight of infant care plans.

Response

DPBH agrees that policies and procedures are critical to ensure CARA plans of care are complete, appropriate and the family ultimately receives the services needed. DPBH looks forward to providing guidance and historical information to the Health Care Purchasing and Compliance Division that will further support it in developing policies and procedures for appropriate oversight.

RECOMMENDATION 14

Create policies and procedures for the comprehensive state plan for programs for alcohol or other substance use disorders to ensure a single consolidated plan is periodically updated, reviewed and compliant with statutory requirements.

Response

DPBH recognizes that the Bureau of Behavioral Health Wellness and Prevention has substantially grown over the years. This has caused a shift in what is recognized as the comprehensive state plan for substance use activities. The Bureau intends to lean on its community and data-driven 2025-2030 Strategic Plan to be the comprehensive state plan to help drive programming as it relates to the needs of Nevadans. Policies and procedures will be established to formally document these items.

RECOMMENDATION 15

Develop policies and procedures to identify and review grant applications, as defined in statutes, and advise applicants regarding these applications.

Response

DPBH will implement policies and procedures on how it can collaborate with other state agencies, potentially the Governor's Office of Federal Assistance, to obtain information regarding other substance use programming grants that it may not already be aware of.

RECOMMENDATION 16

Educate entities applying for grants concerning alcohol or other substance use disorders regarding legal reporting requirements.

Response

DPBH plans on creating and dissemination information regarding the role of the SSA and how DPBH collaborate with other entities to help support the substance use continuum and service as a source of expertise on substance use as programming models are built.

Division of Public and Behavioral Health’s Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
DPBH 1. Train staff regarding invoice review, required reporting, and subaward oversight to strengthen checks for quality and completeness	<u>X</u>	<u> </u>
DPBH 2. Implement policy to document risk assessments and assign proper monitoring timelines for all subrecipients and ensure management performs regular reviews of the subrecipient monitoring schedule to ensure it includes all required entities	<u>X</u>	<u> </u>
DPBH 3. Complete site visits for entities receiving substance use related funding in accordance with policy, ensuring higher-risk entities are inspected during their subgrant periods	<u>X</u>	<u> </u>
DPBH 4. Follow existing policies and procedures to ensure site visits document a comprehensive review of programmatic and fiscal activities	<u>X</u>	<u> </u>
DPBH 5. Improve subrecipient monitoring program policy and procedures to ensure noncompliant subrecipients submit a plan of correction for all identified deficiencies, and there is a process to document deficiencies are corrected.....	<u>X</u>	<u> </u>
DPBH 6. Maintain appropriate substance use grant contracting, monitoring, and reporting documentation	<u>X</u>	<u> </u>
DPBH 7. Improve contracting policies and procedures to ensure timely disbursement of substance use grant funds	<u>X</u>	<u> </u>
DPBH 8. Modify existing procedures and training relating to the substance use disorder treatment provider certification information system to improve staff understanding of system operation and to ensure staff appropriately maintain certification information	<u>X</u>	<u> </u>
DPBH 9. Establish policies and procedures to improve oversight of certified substance use disorder treatment provider website information to increase the accuracy of provider information available to the public.....	<u>X</u>	<u> </u>
DPBH 10. Develop policies and procedures related to inspections of substance use disorder treatment providers to identify and document all providers with inspection findings, prioritize severity of findings, and create a process to track correction of identified findings.....	<u>X</u>	<u> </u>

DPBH 11.	Implement a plan to support the transition of oversight responsibility of infant care plans to the Health Care Purchasing and Compliance Division	<u>X</u>	<u> </u>
DPBH 12.	Communicate and share training materials and other relevant information with the Health Care Purchasing and Compliance Division to support its efforts to train hospital and medical facility staff to improve the completeness and quality of infant care plans	<u>X</u>	<u> </u>
DPBH 13.	Communicate and share guidance and pertinent historical information with the Health Care Purchasing and Compliance Division that would support it in developing policies and procedures for oversight of infant care plans.....	<u>X</u>	<u> </u>
DPBH 14.	Create policies and procedures for the comprehensive state plan for programs for alcohol or other substance use disorders to ensure a single consolidated plan is periodically updated, reviewed, and compliant with statutory requirements.....	<u>X</u>	<u> </u>
DPBH 15.	Develop policies and procedures to identify and review grant applications, as defined in statutes, and advise applicants regarding these applications.....	<u>X</u>	<u> </u>
DPBH 16.	Educate entities applying for grants concerning alcohol or other substance use disorders regarding legal reporting requirements.....	<u>X</u>	<u> </u>
TOTALS		<u>16</u>	<u> </u>

Appendix C

Response From the Attorney General’s Office

CRAIG A. NEWBY
First Assistant Attorney General
CHRISTINE JONES BRADY
Second Assistant Attorney General

AARON D. FORD
Attorney General



LESLIE NINO PIRO
General Counsel
HEIDI PARRY STERN
Solicitor General

STATE OF NEVADA
OFFICE OF THE ATTORNEY GENERAL
100 North Carson Street
Carson City, Nevada 89701

April 2, 2026

Via Email: dcrossman@lcb.state.nv.us

Daniel L. Crossman, CPA
Legislative Auditor
Legislative Counsel Bureau
401 S. Carson Street
Carson City, NV 89701

**Re: Nevada Attorney General and Bureau of Consumer Protection;
Responses to Audit Recommendations**

Dear Mr. Crossman:

The Office of the Nevada Attorney General (“AGO”) and Bureau of Consumer Protection (“BCP”) is in receipt of your letter dated March 13, 2026, and the Legislative Counsel Bureau, Audit Division’s (“LCB”) preliminary audit report on the *Response to the Opioid Epidemic: Funds and Activities – Attorney General’s Office*. As a predicate matter, the AGO and BCP appreciate the professionalism, courtesy, and thoroughness of LCB staff and recommendations provided.

The AGO and BCP accept the recommendations of the LCB. Audits are an important oversight responsibility for public programs and assist agencies in improving operations, activities, functions, and performance. We have enclosed the *Attorney General’s Office’s Response to Audit Recommendations* form with acceptances checked. We have also enclosed our *Written Statement of Explanation Concerning the Audit Findings* pursuant to Nevada Revised Statutes (“NRS”) 218G.230, with included discussion regarding the implementation of the recommendations.

Response to Opioid Audit Interim Letter
April 2, 2026
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Thank you for your service. Please do not hesitate to contact me if you have any questions.

Sincerely,

AARON D. FORD
Attorney General of Nevada
ERNEST D. FIGUEROA
Consumer's Advocate of Nevada



MARK J. KRUEGER
Chief Deputy Attorney General
100 N. Carson Street
Carson City, NV 89701
775-684-1100
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Enclosures

OFFICE OF THE ATTORNEY GENERAL AND BUREAU OF CONSUMER PROTECTION
WRITTEN STATEMENT OF EXPLANATION CONCERNING THE AUDIT FINDINGS
APRIL 2, 2026

Recommendation – AGO 1

For the contingent fee contracting process, develop policies and procedures for interest charges to ensure and document reimbursement of actual interest incurred related to state litigation costs.

Agencies Response to AGO 1

Recommendation accepted.

The need for robust policies and procedures in tracking recoveries of over \$1.2 billion dollars cannot be overstated. We appreciate LCB staff's findings and recognition in the audit report that the AGO and BCP accurately accounted for all funds, accurately allocated all funds, and accurately processed all transactions related to the funds. During the audit, LCB staff provided additional information on best practices and as a result, the AGO and BCP authored, implemented, and continuously updates a robust Contingent Fee Contract Management Policy and Procedures manual to ensure additional layers of review and accurate tracking of funds related to contingent fee contracts pursuant to NRS 228.111 through NRS 228.1118.

Recommendation – AGO 2

Complete a formal documented fiscal assessment of the new interest calculation system utilized by the law firm to ensure it accurately calculates actual interest.

Agencies Response to AGO 2

Recommendation accepted.

Litigation that results in recoveries of over \$1.2 billion dollars, the bulk recoveries of which help mitigate one of the most serious public health epidemics in Nevada history and save lives have associated costs. Actual costs associated with the opioid litigation represent work performed that yielded a large rate of return in the form of multiple settlements. In terms of percentages, actual costs to date for the opioids litigation are 2.35% of the total statewide, multijurisdictional recoveries, and only 1.56% of the share of recoveries exclusive to the State's total. Some of these costs matriculated in the form of interest to the line of credit necessary to advance the cost of litigation as envisioned by the statutory scheme in NRS 228.111 et. seq. During the audit, LCB Staff brought to the attention of the AGO and BCP a discrepancy resulting from the method used to perform the interest calculation. The AGO and BCP worked quickly with the law firm to implement the use of a program used by the Internal Revenue Service for both the law firm and BCP fiscal staff to ensure accuracy of the interest calculation. Importantly, as LCB Staff found in their audit report, the discrepancy was immediately corrected, a formal documented fiscal

**Written Statement of Explanation
Concerning the Audit Findings**

April 2, 2026

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assessment of the new interest calculation system used by the law firm has been done, and all funding calculations and tracking are accurate.

Recommendation – AGO 3

Develop policies and procedures for reviewing litigation costs to ensure invoices are complete and accurate and invoiced costs comply with statutory and contractual requirements, and state best practices.

Agencies Response to AGO 3

Recommendation accepted.

It is important to note again that during the audit, AGO and BCP authored, implemented, and continuously updates a robust Contingent Fee Contract Management Policy and Procedures manual to ensure accurate tracking of funds, appropriateness of invoices, and payment processes of invoices upon recovery. BCP staff have also implemented a multi-level review process to ensure invoices are reviewed at least two times each for completeness and accuracy and comply with statutory, contractual, and state best practices. Moreover, as noted by LCB Staff, the law firm voluntarily refunded and waived travel costs associated with the litigation and therefore all costs for travel have been removed from the total costs, which in turn increased the funds allocated for remediation of the opioid epidemic in Nevada.

Recommendation – AGO 4

Develop policies and procedures for contingent fee contracts that establish processes to assess cost rates and the reasonableness and appropriateness of rate increases.

Agencies Response to AGO 4

Recommendation accepted.

The AGO and BCP Contingent Fee Contract Management Policy and Procedures manual includes provisions that address the processes to assess cost rates and reasonableness and appropriateness of rate increases. BCP staff reviews every vendor contract with the law firm and cross references the established rates within the vendor contract to the invoices as they are charged. If rates increase, the BCP consults with the law firm and vendor, if necessary, to determine whether those rates were appropriate under the circumstances understanding that rates can increase depending on the procedural posture of the litigation, compliance with any court orders, or other market factors. For example, over the State's objection, the court ordered that the State would be required to produce far

**Written Statement of Explanation
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more discovery than anticipated, which in turn required the State to contract with additional document reviewers who were in high demand, and as a result, higher costs, due to the similar litigation throughout the Nation – there were over 3,000 similar lawsuits throughout the Nation at the time. To put the court’s order in perspective, by May 6, 2022, the State had gathered, reviewed, and produced in its opioids litigation 2,673,047 documents (16,014,150 pages) totaling 3.22 Terabytes of data, all of which first needed to be reviewed by document reviewers. The State did conduct a cost analysis at the time of the amendment and will ensure a written record of that cost analysis is maintained. Regarding the copy costs, it is critical to understand that copy costs can increase quickly due to court orders for documents, due to the litigation getting closer to trial, and market factors. In fact, during this period, the cost of paper significantly increased due to fluctuating market factors during the coronavirus pandemic, thus increasing copy costs. Timely compliance with court orders enabled the State’s case to proceed without unnecessary delays and the pressure of trial increased the settlement amounts as is demonstrated from three settlements that were each in the hundreds of millions of dollars. Finally, regarding the invoices and completeness, BCP staff have already reviewed and corrected all invoices to ensure they have the information for contractual and state policy requirements. An important point related to these findings but absent from the audit is that many invoices included discounts to the State which represent additional savings. One such discount identified in the audit as an administrative and expense fee was in actuality a reduced rate when considering the entire vendor’s invoice – which included a considerable reduction in the hourly rate because it was set at the Federal Government Services rate rather than the much higher private litigant rate, resulting in a significant savings to the State.

Recommendation – AGO 5

Develop policies and procedures to ensure contingent fee contract amendments are posted to the agency’s website timely and are in the best interest of the State based on a formal analysis available to the public upon request.

Agencies Response to AGO 5

Recommendation accepted.

The AGO and BCP have been vigilant in their efforts to be completely transparent regarding the opioids litigation, recoveries, and activities. AGO and BCP staff have consistently met with and answered questions from members of the public, legislators, news organizations, private industry, and more. Most importantly, BCP staff has promptly provided copies of any public documents regarding the opioids investigation and litigation to any requestor. Moreover, BCP staff timely publicly posting the contract, declaration, and any extensions or renewals. During the audit, LCB staff conveyed a

**Written Statement of Explanation
Concerning the Audit Findings**

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concern that, although not required under Nevada law, amendments should also be posted on the AGO website to ensure transparency – BCP staff agreed and immediately posted the amendments to the AGO website. As stated, AGO and BCP staff have created a robust Contingent Fee Contract Management Policy and Procedures manual, which includes provisions to ensure that amendments to contingent fee contracts are in the best interest of the State, documented, and continue to be transparent. The AGO and BCP appreciate LCB staff's recognition and inclusion in the audit the notable reasons behind the need for the amendment and associated expense. It is also significant that at the time of the third amendment, the expense was a shared expense with the other local government signatories to an intrastate agreement on allocation of recoveries – which had the effect of reducing the State's share as costs were born by all signatories to the agreement at that point in the litigation. Again, the total recoveries are over \$1.2 billion dollars and the total costs for that recovery are 2.35% of the total recoveries and 1.56% of the recoveries in the State's share.

Conclusion

Nevada's opioid litigation has been groundbreaking, saving lives, and has total recoveries to date of over \$1.2 billion. The AGO and BCP are proud of the work we have done and continue to do towards mitigating the harms, risks, and impacts of the opioids epidemic on Nevada and save lives. The AGO and BCP support the LCB Audit Division, LCB staff, and audits in general as they assist in improving processes and maintain the integrity of public funds and the public trust. LCB's audit revealed that the AGO and BCP had accurately accounted for all funds, accurately allocated all funds, and accurately processed all transactions related to the funds. Those funds are now over \$1.2 billion in recoveries; the total costs for those recoveries are 2.35%; and the total fees paid on the State's portion of the recoveries is 14.24%, which is considerably less than the contracted rate of up to 21.5% or the statutorily allowable rate of up to 25%. The AGO and BCP have implemented all the recommendations from the audit and thank LCB staff for their professionalism, courtesy, and thoroughness.

Attorney General’s Office’s Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
AGO 1. For the contingent fee contracting process, develop policies and procedures for interest charges to ensure and document reimbursement of actual interest incurred related to state litigation costs	<u>X</u>	<u> </u>
AGO 2. Complete a formal documented fiscal assessment of the new interest calculation system utilized by the law firm to ensure it accurately calculates actual interest	<u>X</u>	<u> </u>
AGO 3. Develop policies and procedures for reviewing costs to ensure invoices are complete and accurate and invoiced costs comply with statutory and contractual requirements, and state best practices.....	<u>X</u>	<u> </u>
AGO 4. Develop policies and procedures for contingent fee contracts that establish processes to assess cost rates and the reasonableness and appropriateness of rate increases	<u>X</u>	<u> </u>
AGO 5. Develop policies and procedures to ensure contingent fee contract amendments are posted to the agency’s website timely and are in the best interest of the State based on a formal analysis available to the public upon request.....	<u>X</u>	<u> </u>
TOTALS	<u><u>5</u></u>	<u><u> </u></u>

Appendix D

Response From the Department of Human Services

Joe Lombardo
Governor



DEPARTMENT OF HUMAN SERVICES

DIRECTOR'S OFFICE

Helping people. It's who we are and what we do.



Laura Rich
Director

April 3, 2026

Daniel Crossman, Legislative Auditor
Legislative Counsel Bureau – Audit Division
401 South Carson Street
Carson City, NV 89701

Dear Mr. Crossman,

The Department of Human Services (DHS) respectfully submits our response to the preliminary audit report on the *Response to the Opioid Epidemic: Funds and Activities – Department of Human Services* issued on March 13, 2026.

Recommendation DHS 1 - Improve policies and processes and adhere to existing internal controls to ensure all entities receiving FRN monies are subject to contracts or agreements that clearly define important oversight activities and deliverables.

To strengthen compliance and oversight, FRN has shifted from using Memorandums of Understanding (MOUs) to primarily issuing subawards and contracts. MOUs will be reserved for limited situations involving state agencies with a single, defined directive, such as the Overdose Detection Mapping Application Program (ODMAP) application programming interface (API) connection. Subawards and contracts will ensure awardees have scopes of work and budgets that align with the opioid settlements and approved uses.

Recommendation DHS 2 - Implement controls to ensure site visits of recipients receiving opioid settlement funds are completed according to policies.

The FRN needs assessment and statewide plan is due in 2026. The policies and procedures manual will be updated to reflect a risk-based, on-site monitoring policy where providers are, at a minimum, provided an onsite monitor once within the lifetime of their award, or every four years. In addition to internal staff monitoring programs, the FRN may contract with a third party to assist with monitoring and compliance.

Recommendation DHS 3 - Review annual reporting regarding opioid settlement funds to ensure financial information is accurate.

The FRN has updated prior-year expenditure data to align with state fiscal years instead of calendar years. For the current fiscal year, data will be reported for the period of July 1 through December 31 to meet reporting requirements. Fiscal leadership reviews these reports to ensure financial accuracy.

For questions, concerns, or additional information, please contact Christina Hadwick, Deputy Director for Fiscal Services, at christinahadwick@dhs.nv.gov or 775-431-9956.

Respectfully,



Laura Rich
Director

cc: Christina Hadwick, Deputy Director, DHS
Amy Shogren, Deputy Director, DHS
Ashley Kopp, Deputy Director, DHS
Dawn Yohey, Clinical Program Planner, DHS

Department of Human Services' Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
DHS 1. Improve policies and processes and adhere to existing internal controls to ensure all entities receiving FRN monies are subject to contracts or agreements that clearly define important oversight activities and deliverables.....	X	
DHS 2. Implement controls to ensure site visits of recipients receiving opioid settlement funds are completed according to policies	X	
DHS 3. Review annual reporting regarding opioid settlement funds to ensure financial information is accurate	X	
TOTALS	<u>3</u>	